

AFRICAN DEVELOPMENT BANK AFRICAN DEVELOPEMENT FUND



PROJECT: ENABLE YOUTH PROGRAM - PROJECT II

COUNTRY: SUDAN

PROJECT APPRAISAL REPORT

March 2021

Preparation Team	Team Leader	M. H. EGEH	Principal Agriculture Officer	RDGE2	8260
	Team Members	E. R. MPYISI	Chief Financial Economist,	AHAI1	8379
		D. KAIJA	Principal Labour Economist	AHHD0	8360
		G. KAIJAGE	Financial Management Expert	COTZ	6456
		S. WOLDETENSAY	Senior Procurement Officer	COET	7266
		D. ELHASSAN	Senior Gender Officer	AHGC1	8239
		K. EJIM	Social Safeguards Officer	SNSC	8386
		E. M. BAKILANA	Principal Legal Counsel	PGCL1	4457
		Y. ELTAHIR	Senior Country Economist	COSD	6867
		R. M. OCHIENG	Climate Change & Green Growth Consultant	RDGE1	8122
	E. DAVA	Senior Fragility & Resilience Officer	RDTS	6956	
	Country Manager	Mr. Raubilo DUROWOJU		COSD	6868
	Regional Sector Manager, OIC	Mr. Edson MPYISI		RDGE2	8379
Deputy Director General	Mr. Abdul KAMARA		RDGE	7250	
Sector Director	Mr. Martin FREGENE		AHAI	5586	
Director General	Ms. Nnenna NWABUFO		RDGE	8343	
Peer Reviewers	Asaph NUWAGIRA	Agriculture & Rural Development Expert		COUG	6767
	Chantal UMUHIRE	Senior Agriculture Officer		RDGE2	8382
	Josephine NDAO	Chief Enterprise & SME Development Officer		AHHD0	8381

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Public Disclosure Authorized

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RDGE/AHAI/COSD DEPARTMENTS

June 2021

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Currency Equivalents

(March 2021)

1 UA	=	1.44 USD
1 UA	=	544.74 SDG
1 USD	=	378.48 SDG
1 UA	=	1.19 EUR

Fiscal Year

January 1 – December 31

Weights and Measures

1 metric tonne (t)	=	2,204 pounds (lbs)
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund	MANR	Ministry of Agriculture and Natural Resources
Agripreneur	Agricultural Entrepreneur	MDTF	Multi-Donor Trust Fund
CAADP	Comprehensive Africa Agriculture Development Programme	NAC	National Audit Chamber
CB	Country Brief	NPCU	National Program Coordination Unit
DfID	Department for International Development (UK)	PFI	Participating Financial Institutions
DPs	Development Partners	PPP	Public-Private Partnership
DRSLP	Drought Resilience and Sustainable	PRSP	Poverty Reduction Strategy Paper
EA	Executing Agency	PSC	Program Steering Committee
ENABLE	Empowering Novel Agri-Business-Led Employment	RFSM	Risk Sharing and Financing Mechanism
EYSP	ENABLE Youth Sudan Program	SDGs	Sustainable Development Goals
ERP	Economic Reform Program	SMEs	Small and Medium Enterprises
ESIA	Environmental and Social Impacts Assessments	SUDNAIP	Sudan's National Agriculture Investment Plan
EU	European Union	TSF	Transition Support Facility
FAO	Food and Agricultural Organization	UNDP	United Nations Development Programme
GEM	Global Entrepreneurship Monitor	UNFPA	United Nations Population Fund
GoS	Governments of Sudan	USAID	United States Agency for International Development
GPN	General Procurement Notice	UA	Unit of Account
IFAD	International Fund for Agricultural	YABIC	Youth Agri-Business Incubation Centre
IITA	International Institute of Tropical	WFP	World Food Program
ILO	International Labour Organization		

Grant Information

Client's information

GRANT RECIPIENT: REPUBLIC OF THE SUDAN

EXECUTING AGENCY: MINISTRY OF AGRICULTURE AND NATURAL RESOURCES

Financing plan

Source	Amount (UA million)	%	Instrument
TSF (Pillar 1)	20.00	90	Grant
Government (in-kind)	2.23	10	NA
TOTAL COST	22.23	100	

Important Financial Information

Grant Currency	UA
Commitment Charge/Fee	NA
Service Charge	NA
Tenor	NA
Grace Period	NA
FIRR, NPV (base case)	
EIRR, NPV (base case)	

Timeframe - Main Milestones (expected)

Concept Note Approval	February, 2021
Project Approval	June, 2021
Effectiveness	August, 2021
Completion	June, 2026
Closing Date	December, 2026

PROJECT SUMMARY

1. Project Overview: This is Project II of the ENABLE Youth Sudan Program (EYSP) currently being implemented to create business opportunities and decent employment for the Sudanese youth along priority agricultural value chains. The proposed project is expected to train and empower 2,000 Agricultural Entrepreneurs (Agripreneurs) out of which 1,500 agribusinesses are expected to be established generating 9,000 direct jobs (including 4,500 for young women). The project cost is estimated at UA 22.23 million, of which AfDB is financing UA 20.00 million or 90% and the Government of Sudan will contribute UA 2.23 million or 10%. The project is expected to start in Q3 2021 for a duration of five years.

2. The proposed project aims to encourage the growth of commercially viable agribusiness small and medium sized enterprises (SMEs) in the country by providing entrepreneurship skills, access to financing, land and markets, mentorship, and post incubation follow up and monitoring. The project seeks to achieve this objective by identifying innovative potential-oriented entrepreneurs, who are willing to pursue business opportunities in the agriculture sector. It will strive to have a demonstration or catalytic effect by encouraging a new generation of entrepreneurs to enter, grow, and advance the agribusiness sector; thus, fostering and accelerating the revival of Sudan's agriculture sector, and helping to increase agricultural incomes, create wealth and jobs and reduce poverty.

3. Needs Assessment: Rising youth unemployment in Sudan is a major socio-economic problem and has increased over the past 10 years from 22% in 2009 to 26.7% in 2018 (World Development Indicators 2018). It is higher for female youth at 43.6% than male counterparts at 20.2%. The agriculture sector is the country's largest employer of labour accounting for about 95% of the country's exports (Bank of Sudan, 2017). With 70% of the total population dependent upon the sector, it is key to food security and poverty reduction. The sector also provides most of production inputs for the industry sector such as edible oils, sugar, and textile and has therefore an untapped potential to create jobs, both directly and indirectly. However, youth face many challenges including lack of requisite skills, access to credit, land, markets, as well as other logistics and services for agribusiness development. The Bank's ENABLE Youth initiative is a comprehensive program that builds entrepreneurship in agribusiness through the provision of entrepreneurship skills, funding, and business linkages. The Bank approved the first project of the EYSP in November 2016 and it is currently being implemented in five states. The Sudan's Transitional Government considers the EYSP as a flagship program and has requested the Bank to finance project II of the program to cover six additional states in the country.

4. Bank's Added Value: ENABLE Youth is one of the flagship programs under the Feed Africa Strategy (2016 – 2025) and Jobs for Youth in Africa Strategy (2016-2025) of the Bank's High 5s. The project is also in line with the Bank's Ten-Year Strategy (2013-22), particularly in its operational focus areas (private sector development), areas of special emphasis (agriculture and food security) and the promotion of inclusive growth by offering support to young women and men, and the concept of green growth by promoting low carbon climate resilient agricultural practices (Smart Agriculture). The project is well aligned with the Bank's High 5s, especially Feed Africa and Improve the Quality of Life for the People of Africa; its Gender Strategy (2021-2025) for the promotion of gender equality; its Strategy for "Addressing Fragility and Building Resilience in Africa (2014-2019, extended to 2021; and Pillar II of the ADF 15 Strategic Framework "*human governance and institutional capacity development for increased decent job creation and inclusive growth*". The project will complement the on-going EYSP Project I and build on the progress achieved, leverage the lessons learnt, cover more areas, and consolidate the benefits thus far made in the implementation of the project.

5. Knowledge Management: The EYSP Project I was the first stand-alone operation under the Bank's ENABLE Youth Program, which has already generated substantial knowledge. The EYSP Project II will build on the progress achieved with Project I and will add value to the overall design and management of subsequent ENABLE Youth operations in the country and across the continent. Progress reports, audit reports, mid-term review reports, and completion reports as well as other information routinely collected, as part of monitoring and evaluation framework, will be used to document the lessons learnt. The Bank will share this knowledge with other development partners and stakeholders engaged in youth empowerment in agribusiness.

RESULTS FRAMEWORK

A PROJECT INFORMATION

PROJECT NAME AND SAP CODE: ENABLE Youth Program – Project II. P-SD-AA-012		COUNTRY/REGION: Sudan
PROJECT DEVELOPMENT OBJECTIVE: to improve job creation, food and nutrition security, income generation and improved livelihoods for youths through provision of entrepreneurship skills, funding, market access, and business linkages.		
ALIGNMENT INDICATOR (S):		Bank's priority/sector strategy: <i>High 5 Priorities: Feed Africa and Improve the quality of life for the people of Africa</i>
		Alignment indicators: <i>Number of people who are hungry / malnourished, youth unemployment rate,</i>

B RESULTS MATRIX

RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF INDICATOR	UNIT OF MEASUREMENT	BASELINE (2021)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Increased agribusinesses enterprises					
1. OUTCOME INDICATOR 1: No. of youth agribusinesses established (50% female)	☒	Number	0	1500	Project reports M&E reports
OUTCOME STATEMENT 2: Increased youth employment					
2. OUTCOME INDICATOR 2: No. of direct jobs created (50% female)	☒	Number	0	9000	Program reports M&E reports
OUTPUT STATEMENT 1.1: Awareness created and climate smart agriculture promoted as a viable business					
OUTPUT INDICATOR 1.1.1: No youth (men and women) sensitized (50% female)	☒	Number	0	250,000	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 1.1.2: No operational YABICs Resource Centers promoted	☒	Number	0	10	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT STATEMENT 1.2: Improved access to land, market, and financial services for youth agribusinesses.					
OUTPUT INDICATOR 1.2.1: % land accessibility report recommendations implemented	☒	%	0	100	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 1.2.2: No of market assessments of priority value chains completed	☒	Number	0	5	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 1.2.3: No Participating Banks agreed to finance youth under the RSFM facility	☒	Number	0	6	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT STATEMENT 1.3: YABICs upgraded, equipped and operational					
OUTPUT INDICATOR 1.3.1: No agreements with YABICs hosting partners signed	☒	Number	0	10	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 1.3.2: No YABICs rehabilitated and equipped	☒	Number	0	10	Project Progress Reports: Quarterly, Midterm, Annual

I OUTPUT STATEMENT 2.1: Agribusiness incubation & acceleration activities conducted					
OUTPUT INDICATOR 2.1.1: No youth candidates trained (50% females) under incubation program	<input checked="" type="checkbox"/>	Number	0	1400	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 2.1.2: No youth candidates trained (50% females) under accelerator program	<input checked="" type="checkbox"/>	Number	0	600	Project Progress Reports: Quarterly, Midterm, Annual
I OUTPUT STATEMENT 2.2: Business plans and loan applications developed					
OUTPUT INDICATOR 2.2.1: No coached business plans (50% females) with loan applications developed	<input checked="" type="checkbox"/>	Number	0	1800	Project Progress Reports: Quarterly, Midterm, Annual
I OUTPUT STATEMENT 3.1: Youth agribusinesses financed through RSFM facility					
OUTPUT INDICATOR 3.1.1: No youth agribusinesses financed (50 % female) under incubation program	<input checked="" type="checkbox"/>	Number	0	1260	Project Progress Reports: Quarterly, Midterm, Annual
OUTPUT INDICATOR 3.1.2: No youth agribusinesses financed (50 % female) under acceleration program	<input checked="" type="checkbox"/>	Number	0	540	Project Progress Reports: Quarterly, Midterm, Annual
I ACTIVITIES			I INPUTS		
Component 1: Enabling Environment for Youth Empowerment in Agribusiness: <i>Sub-Component 1:</i> Awareness creation and promotion of climate smart agriculture as a business. <i>Sub-Component 2:</i> Access to market, land and financial services for youth agribusiness ventures. <i>Sub-Component 3:</i> Upgrading and Equipping of YABICs. Component 2: Entrepreneurship and agribusiness incubation: <i>Sub-Component 1:</i> Agribusiness Activities. <i>Sub-Component 2:</i> Business plans and loan applications Component 3: Financing Youth Agribusinesses: De-risking PFIs through Risk Sharing Facility Component 4: Project Management and Coordination			Project Cost in UA million Total project cost: 22.23 Sources: TSF Pillar I Grant: 20.00 ; GoS: 2.23 Component 1: 7.48 Component 2: 3.62 Component 3: 8.76 Component 4: 2.36		

PROJECT TIME FRAME/IMPLEMENTATION SCHEDULE¹

Year	2021			2022				2023				2024				2025				2026			
Quarter	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
INITIAL ACTIVITIES																							
Advance Contracting Request	█																						
Grant negotiations and approval	█																						
Signature of Grant Agreement		█																					
Publication of the GPN			█																				
Project launching				█																			
ENABLING ENVIRONMENT FOR YOUTH EMPOWERMENT IN AGRIBUSINESS																							
YABICs needs assessment for upgrading/equipping	█	█																					
Conducting comprehensive value chain assessment/market assessment			█																				
Implementation of youth outreach strategy				█																			
Rehabilitation and Equipping of YABICs					█																		
Capacity building of YABIC and host institutions staff					█																		
ENTREPRENEURSHIP AND EMPLOYMENT THROUGH AGRIBUSINESS INCUBATION																							
Criteria for youth acceleration option developed	█	█																					
Signing contract (s) with the incubation service provider (s)		█																					
Agripreneurs selection and uptake					█				█				█			█			█			█	
Conduct incubations and accelerations activities in YABICs						█				█				█			█				█		
Youth agribusiness proposals & loan applications developed							█																
Mentorship, coaching and monitoring								█															
FINANCING YOUTH AGRIBUSINESSES																							
RSFM fund management agreemenrs signed					█																		
Capacity building program for PFIs implemented						█																	
Financing Agripreneurs business start ups							█																
Post incubation/acceleration follow up and monitoring program								█															
PROJECT MANGEMENT AND COORDINATION																							
Recruitment of additional NPCU and YABIC staff			█																				
Quarterly Progress Reports					█																		
Annual workplans and budgets						█																	
Annual financial audits										█													
Mid-term review																█							
Completion Report																							█

¹ This is a general project implementation schedule. Detailed annual work schedule will be developed before the beginning of each Project Year.

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE AFDB GROUP TO THE BOARDS OF DIRECTORS ON PROPOSED GRANT FOR THE ENABLE YOUTH SUDAN PROGRAM – PROJECT II

Management submits the following Report and Recommendation on a proposed Transition Support Facility (TSF-Pillar 1) grant of UA 20.00 million to the Republic of the Sudan to finance the ENABLE Youth Sudan Program – Project II.

I – STRATEGIC THRUST & RATIONALE

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 The EYSP Project II is well aligned to the Government of Sudan (GoS)' long term development goals which are expressed in its 25-Year National Strategy (2007-2031) whose main objectives include the revival of the agriculture sector through infrastructure development and financing, improving agricultural productivity and food security, commercializing farming to increase exports, and increasing job opportunities, especially for youth and women. The project is also in line with the country's latest Economic Recovery Program (2020-25), which aims to diversify the economy away from oil to agriculture for an accelerated and sustainable economic growth. The project will contribute toward these objectives by strengthening the innovation and entrepreneurship ecosystem and growth of youth-led innovative agribusiness ventures. Moreover, the project promotes Public-Private Partnership (PPP) through active collaboration with established private enterprises including their participation in the training and apprenticeship of beneficiary students.

1.1.2 The proposed ENABLE Youth project is included in the indicative program of the Sudan's Country Brief (CB, 2017-2019 updated and extended to 2021) which focuses on two pillars: i) Capacity Building for Improving Social Service Delivery and ii) Agriculture for Job Creation and Livelihoods. The project directly contributes to the pillar II of the CB. The project will also contribute to Sudan's Intended Nationally Determined Contribution and National Adaptation Programs of Action whose priority adaptation actions include enhancing the resilience of the agriculture, livestock, and fisheries value chains by promoting climate smart agriculture and livestock development; and it will contribute to Sudan's achievements of the Sustainable Development Goals (SDGs) particularly goals 1, 2, 4 and 8.

1.2. Rationale for Bank's Involvement

1.2.1 Youth unemployment is a major socio-economic problem across Africa, where 60% of unemployed are young adults and Sudan is no exception. Youth unemployment in Sudan has increased over the past 10 years from 22.0% in 2009 to 26.7% in 2018 (World Development Indicators, 2018). It is higher for female youth at 43.6% than male counterparts at 20.2%. The Sudan's Transitional Government is currently implementing political and socio-economic reforms and is prioritizing youth development projects and programs as young men and women were the cornerstone of the 2019 political change in the country. The agriculture sector is the country's largest employer of labour, with more than 70% of the Sudanese population dependent on crop production and/or livestock husbandry for livelihood. It has an untapped potential to create jobs, both directly and indirectly. Sudan has long been regarded as having the potential to become one of the major surplus food producers in the world. However, with the discovery of oil in the 90s, there has been a decline in the contribution of agriculture, livestock, forestry and fisheries to the GDP of the country. Value added by the sector also declined from an average of 46% of non-oil GDP in the 1960s to about 36% of non-oil GDP during 2010-13. During the 2000s, the total value of agricultural exports, including manufactures, declined to 0.5% of non-oil GDP. As a result of

the effects of the oil boom, the agriculture sector was essentially catering only to the domestic market in the 2000s. The sector was neglected resulting in reduced incentives for farmers, thereby discouraging the increasingly large number of young adults entering the labor force from taking up farming.

1.2.2 Following the secession of South Sudan and subsequent significant decline in oil revenues, the government has recently taken several important economic diversification initiatives, mainly related to the revival of the agriculture sector. In 2013, Sudan became the 12th member state in the Common Market for Eastern and Southern Africa (COMESA) to sign the Comprehensive Africa Agriculture Development Program (CAADP) Compact. In doing so, the government signaled that it had adopted agriculture as the key driver for economic growth within the framework of the CAADP. After signing the Compact in July 2013, a series of actions were taken to formulate the Sudanese National Agricultural Investment Plan (SNAIP).

1.2.3 Agribusiness can be a profitable venture for youth if they are equipped with the right skills and provided with opportunities to access credit, markets, land, and other logistics and services for agribusiness development. The Bank's ENABLE Youth initiative is a comprehensive program that builds entrepreneurship in agribusiness via skills acquisition and fosters an enabling environment in which young men and women can become owners of profitable agribusinesses, while creating jobs for their peers. The Program seeks to encourage the growth of sustainable commercially viable agribusiness small and medium sized enterprises (SMEs) by supporting the development of well-structured agribusiness projects, and providing commercial loans and other financial products/services available for investment in a range of agribusiness ventures, market access, capacity development, risk management, and networking. The Government of Sudan was among the first Regional Member Countries to participate in the Bank's ENABLE Youth Program. The Bank approved the EYSP Project I in November 2016, which covers five states: Khartoum, Gezira, Kassala, Gedaref, and River Nile.

1.2.4 The EYSP Project I has so far trained over 700 youth and another 1,000 are currently enrolled in various incubation programs in all the five states. The Risk Sharing & Financing Mechanism (RSFM) facility is operational and 6 Participating Financial Institutions (PFIs) are onboard along with an insurance company. Under the RSFM framework, 300 youth agribusinesses are already financed by the PFIs and 550 more are under processing. Therefore, the Project I is on course to achieve its objectives of training and empowering 2,000 youth out of which 1,800 agribusinesses are expected to be established generating about 12,000 direct jobs. Given the EYSP's strategic importance in fostering and accelerating the revival of Sudan's agriculture sector and its success and popularity with the youth, the Transitional Government has requested the Bank's support to finance Project II of the program to cover six additional states in the country.

1.2.5 The EYSP is one of the flagship operations under the Bank's Feed Africa Strategy for Agricultural Transformation (2016 – 2025) and Jobs for Youth in Africa Strategy (2016-2025). The project is also consistent with the principles of key regional and national initiatives as well as the Bank Group's policies and strategies. These include the Comprehensive Africa Agriculture Development Program (CAADP); the Bank's Ten Year Strategy (2013-22) particularly in its operational focus areas (private sector development) and areas of special emphasis (agriculture and food security) and green growth; the Bank's High 5s, especially *Feed Africa* and *Improve the Quality of Life for the People of Africa*. The project is also aligned with the Bank's Gender Strategy (2021-2025) for the promotion of gender equality; its Strategy for "Addressing Fragility and Building Resilience in Africa (2014-2019, extended to 2021; and Pillar II of the ADF 15 Strategic Framework "*human governance and institutional capacity development for increased decent job creation and inclusive growth*". The project is also building on the achievements

of the on-going EYSP Project I, leveraging the lessons learnt, and consolidating the benefits thus far made.

1.3. Donors Coordination

1.3.1 Donor co-ordination in Sudan falls under the responsibility of the Foreign Finance General Directorate at the Ministry of Finance and Economic Planning. Development partners (DPs) such as UN agencies (ILO, UNIDO, IFAD, UNHCR, UN Women, UNDP, and UNFPA), the EU, GIZ, DFID, and USAID have focused their support mainly towards capacity building and humanitarian assistance. While multilateral development partners such as the African Development Bank (AfDB), Islamic Development Bank (IsDB), and the World Bank (WB) are leading on areas of financial governance, technical assistance, and infrastructure. The bilateral contributions from China and the Gulf countries (Qatar and Saudi Arabia) and the Arab Funds also constitute a significant support for the Sudan. The main framework for donor coordination is the Multi-Donor Trust Fund (MDTF), which is administered by the World Bank, mainly for basic socioeconomic services (health, education, water) for humanitarian relief and institutional development and capacity building. The PRSP preparation process, which is supported by the Bank, has created a policy engagement forum for DPs and the Government. High-level engagement in country policy dialogue has uniquely positioned the Bank to champion the implementation of development priorities. However, discussions are underway to broaden Sudan’s International Development Partners Forum to strengthen aid coordination and harmonization.

1.3.2 AfDB, Arab Funds, IFAD and IsDB are the top development partners in the Agriculture Sector in Sudan and interventions are coordinated based on their comparative advantages. While the Arab Funds and IsDB focus on large infrastructure investments (especially dams), and IFAD on small scale agricultural operations with emphasis on traditional rain-fed agriculture and rural development, AfDB focuses on value chain development and productivity increases. During the preparation and appraisal missions, consultations were made with relevant DPs including FAO, JICA, DfID, IsDB, WFP, UNFPA and IFAD to explore potential for co-financing and to ensure that the project is designed in a harmonized manner with other DPs. The Bank will continue to coordinate with these and other partners in the implementation of this project and other Bank financed operations in Sudan.

Table: 1.1: Donor Support to Agriculture (2020)

Sector or subsector*	Size		
	GDP	Exports	Labour Force
Agriculture	20.8	23%	30%
Players - Public Annual Expenditure (average): 2020 Budget			
	Government	Donors	
UA m	122.65	21.91	AfDB 10.50
			IFAD 5.30
			UNDP 4.60
			WB 1.05
Level of Donor Coordination			
Existence of Thematic Working Groups (this sector/sub-sector)			[N]
Existence of SWAs or Integrated Sector Approaches			[N]
AfDB's Involvement in Donors Coordination			[M]

Key: L: Leader. M: Member but not leader. N: No involvement. Y: Yes. N: No.

II – PROJECT DESCRIPTION

2.1. Project Objectives and Components

2.1.1 The overall goal of the EYSP is to improve job creation, food and nutrition security, income generation and livelihoods for youths. The specific objective of the EYSP Project II is to create business opportunities and decent employment for young women and men along priority agricultural value chains by building entrepreneurship skills in agribusiness and supporting them with access to credit, markets, and other services for agribusiness development. The project components are described in Table 2.1 below, with details provided in Annex C1 (Technical Annexes).

Table 2.1: Description of Project Components

No	Component Name	Cost (UA million)	Component Description
1	Enabling Environment for Youth Empowerment	7.48	<p>The aim of this component is to create an enabling environment for building entrepreneurship in agribusiness for young unemployed graduates (incubation) and those already engaged in agribusiness (acceleration). Activities will be carried out under the following three sub-components:</p> <p><i>Sub-component 1: <u>Awareness creation and promotion of climate smart agriculture as a business</u></i>: This will include implementation of the outreach, knowledge management and dissemination strategy already developed under EYSP Project I, using youth-friendly ICT (social media, networking, etc.) to promote the project and opportunities in modern agriculture, with a particular focus on gender equity. This will also include establishing Resource Centers in each YABIC for youth to access all the information and services under this project.</p> <p><i>Sub-component 2: <u>Access to land, markets and financial services for youth agribusiness ventures</u></i>: Activities under this subcomponent will include (a) Implementation of the relevant recommendations of the land accessibility assessment report under Project I; (b) Conducting a comprehensive value chain assessment/market assessment and (c) Support to development of regulatory framework for SMEs in Sudan.</p> <p><i>Sub-component 3: <u>Upgrading of YABICs</u></i>: Activities will include conducting needs assessment studies of incubation centres, rehabilitating and equipping YABICs, where necessary, and building YABIC host institutions capacity in incubation management.</p>
2	Entrepreneurship and Agribusiness Incubation	3.62	<p>This component aims at the operationalization of the agribusiness incubation and acceleration training programs. The target youth will be in two categories; the unemployed graduates who have completed post-secondary education (incubation); and the second group are graduate youths who are already engaged in agribusiness but have no or limited access to commercial loans to grow their businesses (acceleration):</p> <p><i>Sub-component 1: <u>Agribusiness Incubation and Acceleration Activities</u></i>: Activities under this subcomponent will include having to: (a) Develop selection criteria for acceleration group; (b) Selection of the candidates by a committee drawn from main stakeholders of the project and comprised of two subcommittees for the incubation and acceleration programs; (c) Conduct incubation and acceleration training programs;</p>

No	Component Name	Cost (UA million)	Component Description
			and (d) Identify and establish market linkage/off taker arrangements. <i>Sub-component 2: Business plans and loan applications:</i> Prior to completion of their training, agripreneurs will develop bankable agribusiness proposals as individuals or as a group under the guidance of experienced mentors drawn from the private sector, and development and business communities. In addition, investment or loan officers from participating financial institutions will coach agripreneurs on developing and processing business loan applications. post incubation/acceleration follow up and monitoring program developed under Project I will be adapted for Project II.
3	Financing Youth Agribusinesses	8.76	This component addresses the financial services to enable the youth agribusiness start-ups through the existing RSFM facility. USD 12.5 million will be allocated as a risk guarantee fund intended to top up the RSFM facility for catalyzing additional resources through de-risking Participating Financial Institutions (PFIs).
4	Project Coordination and Management	2.36	The MANR through its existing NPCU will manage the project activities including the day-to-day management of project activities based on an adequate results measurement framework; coordination and supervision of project activities; mid-term and final project reviews; and project procurement, disbursement, financial management, audit and reporting.
Total		22.23	

2.2. Technical Solutions Retained and Other Alternatives Explored

2.2.1 During the design of the project, three technical alternatives were considered and rejected for their weaknesses in generating the expected impact on a sustainable basis. The technical solutions retained are based on criteria that will ensure project success and sustainability. These include considering extending target youth to those already engaged in agribusiness but lack access to finance and market linkages. This group will be trained under an accelerated incubation program with short training durations customized to their specific needs. This will allow cost saving for the program and training more youth. Other alternatives explored are presented in Table 2.2.

Table 2.2: Alternatives Considered and Reasons for Rejection

No	Alternative Name	Brief Description	Reasons for Rejection
1.	Project to establish its own new YABICs.	YABICs will be more convenient and easily manageable. Having options to establish more relevant & fit-for-purpose training facilities in the YABICs	In addition to the high cost of establishing new infrastructures, significant time will be lost in the recruitment and training of YABIC staff resulting in substantial delays to the start of project implementation.
2.	Allocating resources for financing Agripreneurs.	In addition to providing guarantee for de-risking PFIs, some of project resources could be used for financing youth start-ups as soft loans.	Since PFIs in the program have no liquidity issues, and to avoid any potential risk of negative market distortion, project resources are better used as a guarantee fund to de-risk financing from local financial institutions. This is a more sustainable option than the soft loans approach.

No	Alternative Name	Brief Description	Reasons for Rejection
3.	Program to continue to target unemployed graduates with no business/ entrepreneurship skills.	Selection and training of one target group will be more focused and easier to implement.	Extending the target youth to include those already engaged in agribusiness but have no or limited access to commercial loans, will make the project more impactful by having not only an accelerated training option with shorter duration but also create youth-to-youth coaching and mentoring opportunities.

2.3. Project Type

2.3.1 The EYSP Project II is an investment project financed by ADF 15 (TSF Pillar I) Grant and project activities are in line with TSF Guidelines².

2.4 Project Cost and Financing Arrangements

2.4.1 The total cost for the project activities, excluding taxes and duties, is estimated at UA 22.23 million including physical and price contingencies. The costs are composed of UA 11.27 million (51%) in foreign currency and UA 10.96 million (49%) in local currency costs. The combined physical and price contingencies have been estimated at 14% of the total baseline costs. The tables below provide the summary of the Project costs, which are based on analysis of unit prices obtained from MANR, other ministries and local institutions and traders.

Table 2.3: Summary of the project cost estimates by components

	(SDG '000)			(UA '000)			%	%
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Total Base Costs
A. Enabling Environment for Youth Empowerment	2,481,102.22	958,875.86	3,439,978.08	4,554.65	1,760.25	6,314.90	28	32
B. Entrepreneurship and Agribusiness Incubation	1,426,732.29	165,477.90	1,592,210.20	2,619.11	303.77	2,922.88	10	15
C. Financing Youth Agribusiness	37,072.50	4,454,974.47	4,492,046.97	68.06	8,178.17	8,246.22	99	42
D. Project Coordination and Management	886,535.59	176,678.92	1,063,214.51	1,627.45	324.34	1,951.78	17	10
Subtotal	4,831,442.60	5,756,007.16	10,587,449.76	8,869.26	10,566.52	19,435.79	54	100
Physical Contingencies	56,743.74	56,743.74	113,487.48	104.17	104.17	208.33	50	1
Price Contingencies	1,081,515.49	328,786.74	1,410,302.22	1,985.38	603.57	2,588.95	23	13
Total Project Costs	5,969,701.83	6,141,537.63	12,111,239.47	10,958.81	11,274.25	22,233.06	51	114

2.4.2 The project will be financed by a TSF Grant of UA 20.00 million and the Government will contribute UA 2.23 million (10% of project costs) as in-kind counterpart contribution.

Table 2.4: Project financing by source (UA'000)

	Foreign	Local	Total	Percent
Government of Sudan	0.00	2,233.06	2,233.06	10.0
TSF-I	11,274.25	8,725.75	20,000.00	90.0
	11,274.25	10,958.81	22,233.06	100.0

² ADB/BD/WP/2014/46/Rev.3/Approval - ADF/BD/WP/2014/30/Rev.3/Approval entitled "Operational Guidelines for the Implementation of the Strategy for Addressing Fragility and Building Resilience in Africa and for the Transition Support Facility.

Table 2.5: Project cost by category of expenditure

	(SDG '000)			(UA '000)			%	%
	Foreign	Local	Total	Foreign	Local	Total	Foreign	Total
							Exchange	Base Costs
A. Investment Costs								
WORKS	567,437.41	567,437.41	1,134,874.82	1,041.67	1,041.67	2,083.33	50	11
GOODS	233,576.67	173,654.61	407,231.28	428.79	318.78	747.57	57	4
SERVICES	4,859,390.21	3,272,770.14	8,132,160.35	8,920.57	6,007.95	14,928.52	60	77
Total Investment Costs	5,660,404.29	4,013,862.16	9,674,266.45	10,391.02	7,368.40	17,759.42	59	91
B. Recurrent Costs	95,602.87	817,580.44	913,183.31	175.50	1,500.86	1,676.37	10	9
Total Baseline Costs	5,756,007.16	4,831,442.60	10,587,449.76	10,566.52	8,869.26	19,435.79	54	100
Physical Contingencies	56,743.74	56,743.74	113,487.48	104.17	104.17	208.33	50	1
Price Contingencies	328,786.74	1,081,515.49	1,410,302.22	603.57	1,985.38	2,588.95	23	13
Total PROJECT COSTS	6,141,537.63	5,969,701.83	12,111,239.47	11,274.25	10,958.81	22,233.06	51	114

Table 2.6: Project components by year (UA '000)

	Totals Including Contingencies						
	2021	2022	2023	2024	2025	Total	
A. Enabling Environment for Youth Empowerment		906.13	2,598.30	2,533.82	714.87	730.34	7,483.46
B. Entrepreneurship and Agribusiness Incubation		50.56	789.88	882.14	916.80	985.18	3,624.55
C. Financing Youth Agribusiness		20.05	2,120.07	2,163.39	2,207.65	2,252.87	8,764.03
D. Project Coordination and Management		326.07	452.03	485.69	522.00	575.22	2,361.02
Subtotal		1,302.80	5,960.28	6,065.05	4,361.32	4,543.62	22,233.06

2.5. Project Target Area and Population

2.5.1 The EYSP Project II aims to encourage the growth of sustainable and viable agribusiness SMEs by supporting the establishment of well-structured entrepreneurship and agribusiness skills development program and providing access to commercial loans for investment in a range of agribusiness ventures along priority value chains in the Sudan. The project will achieve these objectives by training and empowering 2,000 agripreneurs, including target of a 50:50 female and men participation in all incubation centers through a targeted outreach program to bolster female participation. At least 1,500 businesses are expected to be financed under the project and each of these agripreneurs is expected to employ on average five (5) other support workers, generating about 9,000 direct jobs over the first 5 years of the project. The target youth will be in two categories; about 1,400 youth unemployed graduates who have completed post-secondary education (incubation); and the second group of 600 graduate youths who are already engaged in agribusiness but have no or limited access to commercial loans to grow their businesses (acceleration). All youth selected will be graduates with at least a post-secondary diploma/certificate and aged 18 to 35 years.

2.5.2 The EYSP Project II will be implemented in ten (10) YABICs in Sennar, White Nile, Blue Nile, North Kordofan, South Kordofan, and Darfur. The selection of project sites was made based on the number and concentration of unemployed graduate youth (main urban centres), availability of markets, financial services, roads and other market infrastructures. YABICs host institutions were evaluated based on the availability of space, land, and the basic structures that met the needs for operating an incubation centre, plus qualified staff and training facilities and equipment.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 As the proposed operation is a Project II of an ongoing program, its components and activities are same as EYSP Project I. During the preparation and appraisal missions, extensive virtual discussions were conducted with senior government officials of the Ministry of Finance and Economic Planning, Ministry of Agriculture and Natural Resources, Central Bank of Sudan, RSFM fund manager (Tayseer), PFIs, youth beneficiaries under Project I, YABIC host institutions and other stakeholders, including development partners such as FAO, JICA, DfID, IsDB, WFP, UNFPA and IFAD to explore potential for co-financing and to ensure that the project is designed in a harmonized manner with the other DPs. The participatory process will continue throughout the project implementation to ensure ownership and its sustainability. Participation within the project by trainers and mentors from the private sector and agribusiness community will further promote the interest of many youth. The youth will be key part in the identification and choice of value chains for training during the incubation and acceleration programs.

2.7. Bank Group Experience and Lessons Reflected in Project Design

2.7.1 The Bank currently has 16 operations in Sudan with a total commitment of UA 344.5 million. The performance of the Bank's portfolio in the country is assessed to be satisfactory, with an overall implementation rating of 3.0. As of February 2021, the cumulative disbursement was 25.2% (sovereign operations) and 100.0% (Non-sovereign operations). The agriculture sector has the largest allocation, amounting to UA 179.7 million (52%) with no issues in satisfying conditions precedent to first disbursement. There are no Problematic Projects (PP) and no Potentially Problematic Projects (PPP) in the portfolio. However, three operations of the agriculture sector are flagged for slow procurement and disbursement. This is attributed mainly to the COVID-19 pandemic situation and the country's ever soaring inflation, which has made it very difficult to procure services, works or goods in Sudanese Pound (SDG). Government of Sudan has recently announced the unification of the official and parallel market exchange rates of SDG, which is expected to mitigate this challenge.

2.7.2 The Bank has drawn lessons from other similar Bank operations across the continent. These include ENABLE Youth projects in Cameroon, DRC, Kenya, Malawi, Sudan, and various youth-employment related initiatives of the Bank's Human Capital, Youth and Skills Development Department. Additionally, the design of this project will build upon successes and challenges of the on-going EYSP Project I. Some of the lessons learnt which have informed the proposed operation include (i) long delays in youth uptake and incubation commencement due to slow rehabilitation and equipping of youth incubation centers. The project will use Advance Contracting procedures with the appropriate safeguards to start procurement of works prior to the project approval; (ii) the need to extend the target beneficiaries to include graduate youths who are already engaged in agribusiness but have no or limited access to commercial loans to grow their businesses. This allows the project to have not only an accelerated training program with shorter duration for some of the youth but also to create youth-to-youth coaching and mentoring opportunities.

2.7.3 The lessons learned from the above-mentioned interventions are detailed in Annex B1 (Technical Annexes). The main lessons applied to the design of Project II are described in Table 2.7.

Table 2.7: Lessons learned and reflected in project design

No	Lessons Learnt	Actions incorporated in the Project design
1.	Delays in start of incubation activities at YABICs due to the long time it takes to procure rehabilitation works of youth incubation centers.	The project will use Advance Contracting procedures to start procurement of works prior to the project approval
2.	Delays in processing loans to youth due weak credit appraisal of lending institutions.	Technical assistance to build capacity of PFI to lend and build delivery platforms in support of agri-business lending is included in this project.
3.	Weak procurement and financial management capacity of the PIU	In addition to the training workshop at the project launching, the Bank will conduct fiduciary clinic every year to ensure strengthened capacity of PIU.

2.8. Project Performance Indicators

2.8.1 Key performance indicators to be measured throughout the lifecycle of the project are presented in the Results Framework. Regular implementation progress will be measured through Quarterly Progress Reports, and annual technical and financial audits. Effort will be made to ensure gender-disaggregated data at every level and where applicable. The main indicators defined for monitoring the project outputs and outcomes include (i) number of candidates selected & trained (50% females), (ii) the number of new businesses established by young men and women; (iii) number of jobs created (at least 50% females); and (iv) number of business plans developed, submitted and financed. The Bank will undertake supervision missions at least twice a year. The NPCU will prepare and submit quarterly progress reports according to the format and procedures of the Bank. The M&E expert of the NPCU will carry out internal project monitoring and evaluation in collaboration with the other NPCU staff to monitor performance of the project. The Bank will conduct Mid-Term Review in PY3 and prepare Project Completion Report during PY5.

III – PROJECT FEASIBILITY

3.1. Economic and Financial Performance

FIRR (base case) 21%	
EIRR (base case) 25%	NPV, USD 12.75 million at 12%

3.1.1 A financial assessment of the project was undertaken using cost-benefit analysis of ex-ante farm and activity models, and on the basis of prevailing market prices. The key assumptions underlying the analyses include: (i) an investment period of 15 years; (ii) implementation schedule of investment built from the expenditure schedule of the project activities; (iii) an aggregate conversion factor to derive economic prices from financial prices; (iv) beneficiaries will adopt new technologies including improved high yielding varieties; (v) the agripreneurs will receive finance through the Risk Sharing and Financing Mechanism to buy and use modern farm equipment and inputs; and (vi) the opportunity cost of capital is 12%. The target population it is estimated at 2,000 youth graduates trained and mentored within the YABICs. The commodity enterprises that were considered for this analysis include poultry production (15,000 birds), calf fattening (100 head of calves) and seed multiplication (50 feddans).

3.1.2 **Financial Analysis:** The project is financially and economically viable, as indicated by the project's Financial Internal Rate of Return (FIRR) of 21%, a net present value (NPV) of USD 7.60 million and a cost benefit (B/C) ratio of 2.49. At the enterprise level, the 15,000 poultry farm had a net

margin of USD 19,589; the 100 head of calves fattening enterprise had a net margin of USD 11,521 and a 50 feddan seed multiplication farm had a net margin of USD 49,342. This demonstrates that at the enterprise level, the project is financially feasible.

3.1.3 Economic Analysis: The project is economically viable, as indicated by the project’s Economic Internal Rate of Return (EIRR) of 25%, Net Present Value (NPV) of USD 12.75 million and a cost benefit ratio (B/C) of 2.99. This demonstrates that at the enterprise level, the project is financially feasible.

3.1.4 Sensitivity analysis: Sensitivity analysis was conducted on the EIRR for various scenarios (see table below), which demonstrated that the project is quite robust and would remain viable under a range of alternatives.

Results of the Sensitivity Analysis on the EIRR

Scenario	EIRR
20% decrease in income from enterprises	19%
20% increase in investment costs	21%
20% decrease in incomes and 20% increase in investment costs	15%

3.1.5 In real terms, the project will lead to many tangible benefits including jobs creation for the target population youth graduates (women and men), increased crop and livestock production, and wealth creation (increase in incomes, improved food and nutrition security). EYSP Project II is financially and economically viable as it enhances agricultural value chains, incomes, and competitiveness.

3.2. Environmental and Social impacts, Climate Change, Gender, and Fragility and Resilience:

3.2.1 Environmental and Social impacts: The EYSP Project II is a primarily skills training and capacity development project and has no envisioned negative environmental and social impact. The project’s activities will take place within existing facilities and no resettlement or displacement is envisioned. The project is classified as category III and, therefore, no Environmental and Social Impact Assessment (ESIA) is required. The project will have several social and economic benefits including entrepreneurship and agribusiness skills development, providing access to commercial loans and other financial products/services, handholding/mentorship, market access, risk management, and networking.

3.2.2 Climate Change: The project has been screened for climate risks and assessed as Category 3, meaning it is not vulnerable to climate risks. In terms of green growth, the project will contribute to climate change resilience through training the youth on agribusiness and development of agribusinesses that are focused on promoting low carbon climate resilient agricultural practices. Enhancing access to markets and training on value addition for youth entrepreneurs as envisaged in this project will reduce post-harvest losses while enhancing access to financing will enable youth agripreneurs to diversify their income generating activities. Thus, the training curricula will include topics on climate-smart agriculture technologies, good agricultural practices, and sustainable land and range management practices. Training on these topics will enable the youth to develop businesses that are resource-efficient and less vulnerable to impacts of climate change such as droughts, reduced rainfall, floods and pest and disease outbreaks. The project will have very minimal carbon footprint. Overall, this project will help Sudanese youth and economy become less vulnerable to climate change by increasing the number of successful agribusinesses, creating alternative income/ livelihood sources for households and communities, and boosting food and nutrition security, all of which contribute to reducing vulnerability to climate change.

3.2.3 Social Issues: Sudan is experiencing high poverty levels and poor socio-economic indicators. There is high level of unemployment, underemployment, and the labour market is dominated by informality. Sudan's high annual population growth rate estimated at 2.4% has resulted in a relatively young population with 60% being under 25 and a third aged between 15-34 years. Rising youth unemployment is a major socio-economic problem and creating job opportunities for youth is a top national priority for the Government of Sudan. Youth unemployment has increased over the past 10 years from 22.0% in 2009 to 26.7% in 2018 (World Development Indicators, 2018). It is higher for female youth at 43.6% than male counterparts at 20.2%. The EYSP Project II will bring positive social and economic benefits in the target states by building entrepreneurship in agribusiness for young men and women, creating jobs, promoting inclusive growth and reducing poverty. The project will empower the youth at each stage of the agribusiness value chain through harnessing new skills, technologies, and financing approaches, which will lead to viable and profitable agribusinesses. The benefits will include among others: (i) enhanced employment opportunities; (ii) increased agribusiness; (iii) improved incomes for youth; (iv) improved living standards; and (v) improved national income through commercialized farming and increased exports.

3.2.4 Gender Issues: The agriculture sector has had limited wealth generating engagement by women; often at the lower end of the value chain of farming and harvesting, with little participation in processing and marketing. Women tend to be found in traditionally female-dominated sectors such as small-scale retailing, services, or home-based business. In a sample of 89 female-owned SMEs, retailing comprised 32% of women's businesses, followed by 19% in food-related activities, 10% in design businesses, and 10% in tailoring businesses. In terms of training and mentoring, women find very few opportunities for training or upscaling with limited participation in apprenticeships - the exception being women in family owned-businesses.

3.2.5 Constraints of women-owned vs men-owned businesses are somewhat similar in terms of access to finance, and access to information on relevant laws and regulations. However, there are women-specific challenges such as social constraints that relate to the family and/or religion, and harassment and abuse in the workplace. This doubly impact younger women entrepreneurs in Khartoum who experience family pressures and obligations, gender discrimination in the marketplace, price inflation of goods and services (related to transport services and raw materials), and limited 'business' networks. Development partners have also noted the lack of advocacy on the diversification of women's roles and the promotion of women's engagement in private sector businesses and trade.

3.2.6 The EYSP Project II is assessed to be Category 2 as per the Bank's Gender Marker System. The project has two outcomes that will address gender equality issues. It will ensure that 50% of youth agribusinesses established are female-led, and equitable access to direct jobs for women. The mechanisms to ensure social inclusion and gender equality in this project include appropriate outreach strategy and gender sensitive training, as well as adequate infrastructural provisions for both genders to ensure retention. More details in gender issues are presented in the Technical Annex B.9.

3.2.7 Fragility and Resilience: Unemployment in Sudan is influenced by a combined effect of various drivers of fragility which include the structure of the economy, political situation, migration, and conflict. As for the structure of the economy, most of the employment is in agriculture where productivity is low and therefore, the real wages are also low. As a result of large foreign direct investment (FDI) inflows and wealth in the oil sector, there was an inflow of migrant workers which contributed to rising unemployment after the separation from today's South Sudan. In addition, years of conflict and political instability distorted the functioning of the labor markets as the war caused

displacement, brain drain and the large defense spending diverted resources away from productive investments and labor employment, all resulting in rising unemployment.

3.2.8 Given the aforementioned features of the labor market and the increasing share of youth in total population and labor force, low participation rates, especially low participation rates for women, it sounds natural that unemployment, disproportionately affects the youth more than the rest of the labor force. Hence, the upskilling and creation of employment is an imperative to overcome the strategic problems and challenges confronting economic development in Sudan. The EYPS Project II, by promoting skills development and economic opportunities for the youth (men and women) and promoting smart and environmental sensitive agricultural value-chains development contributes to addressing the key drivers of unemployment in Sudan. Outcomes 1 and 2, by seeking to increase the number of agribusinesses owned by youth and to increase the number of jobs for the youth, respectively, directly address the challenge of youth unemployment in Sudan. Therefore, the project is deemed highly responsive to fragility in Sudan.

IV – IMPLEMENTATION

4.1. Implementation Arrangements

4.1.1 The Ministry of Agriculture and Natural Resources (MANR) will be the Executing Agency for the project and will use the existing ENABLE Youth Program National Coordination Unit (NPCU). However, the NPCU capacity will be strengthened with the addition of assistant accountants at YABICs levels. Additionally, a focal person will be appointed for each of the YABICs selected for the new project. The existing multi-sectoral Steering Committee (SC) chaired by the MANR will be responsible for project oversight, overall policy guidance, strategic direction, and review and approval of work plans and budgets.

4.1.2 A service provider responsible for conducting incubation and acceleration trainings and providing technical assistance to the NPCU and YABICs will be recruited through a competitive process. The firm will also be responsible for the development and implementation of hands-on training in entrepreneurship and agribusiness development programs. The training program will provide all the support services necessary to successfully develop the skills of youth entrepreneurs and agribusiness development planning and management.

4.1.3 EYSP Project II will use the existing RSFM facility of the ENABLE Youth Sudan Program administered by the Government of Sudan's Microfinance Guarantee Agency (Tyseer). Tyseer has a key mandate in supporting banks, MFIs, and other financial institutions in Sudan through the provision of guarantees as guided by the Central Bank of Sudan. About 50% of project resources will be allocated as guarantee fund to provide back-stopping support to participating financial institutions that will provide commercial loans to agribusinesses. An agreement (*detailed in Annex C1*) that guides the way the RSFM funds are managed exists and has already been signed between the Tyseer (fund management agency) and the project Executing Agency, MANR.

4.1.4 **Project Readiness:** In preparing the project, measures were put in place to ensure timely start-up, including compliance with the Bank's Presidential Directive (PD 02/2015) on disbursement. The measures include the use of advance contracting and prompt preparation of tender documents to fast track project implementation. The use of the already existing PIU will ensure timely commencement of project implementation.

4.1.5 Procurement Arrangements: Procurement of goods (including non-consulting services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “Procurement Policy for Bank Group Funded Operations”, dated October 2015, as amended from time to time, and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out following Bank Procurement Policy and Methodology (BPM) using the relevant Bank Standard or Model Solicitation Documents (SDs) and in exceptional circumstances the Borrower’s Procurement System (BPS), for any category of procurement.

4.1.6 The various items under different expenditure categories and related procurement arrangements for each contract to be financed by the Grant together with the respective procurement methods or consultant selection methods, estimated costs, prior-review requirements, and time frame as agreed between the Recipient and the Bank are detailed in the Procurement Plan under Annex B5 of the Technical Annexes. To ensure timely project start-up, the Government will request Bank’s no objection to follow Advance Contracting (AC) procedures for some of the procurement contracts under component I of the project including (i) Design & supervision of civil works, and (ii) Comprehensive market assessments of priority value chains. During the project appraisal, the Bank team explained in detail the procedures and appropriate safeguards on the use of AC to the Government.

4.1.7 Procurement Risks and Capacity Development: the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the outcomes have informed the decisions on the procurement regimes (BPS and Bank) being used for specific transactions or groups of similar transactions under the project. Detailed aspects of the procurement packages, review procedures, thresholds and requirements are elaborated under Annex B5 of the Technical Annexes.

4.1.8 Financial Management and External Audit: The project will be implemented by MANR through the existing NPCU of the EYSP. In accordance with the Bank’s FM Manual and Implementation Guidelines-2014, an assessment of the MANR Financial Management System was carried out by the Bank to establish its capacity to carry out the financial management (FM) of the new project. The assessment confirmed that the NPCU team which is implementing effectively the ongoing EYSP Project I has adequate fiduciary capacity to manage the new project. It has a computerized accounting system (CAS) to be configured by the service provider to accommodate the new project and issue separate project reports to mitigate the inability of the Government Resource Planning System (GRP) to accommodate donor funded projects.

4.1.9 The financial transactions of the project will be initiated, processed, recorded, and reported in accordance with the country’s Financial and Accounting Act (2007), and the Financial and Accounting Regulations (2011), which incorporate Generally Accepted International Accounting Standards. This will include the project being incorporated in the internal audit plan and audited regularly by the auditors from the Internal Audit Chamber. The current NPCU Financial Management Officer and Assistant Accountant will be responsible for undertaking the day-to-day financial management functions of the new project. The accountability of new YABICs resources will be strengthened with recruitment of assistant accountants at YABIC level who will report to the Project Financial Management Officer. The project will also benefit from the on-going Enable Youth project’s Financial and Administrative Manual.

4.1.10 The flow of funds in Sudan faces the following challenges: (i) volatile foreign exchange rate fluctuations, which have caused rapid price escalations, resulting in procurement delays. The Government of Sudan’s recent decision to unify the official and parallel market exchange rates is

expected to mitigate this challenge; (ii) Government delays in issuing VAT exemptions or timely payment of Counterpart Funds to the contractors or Tax Administration (for invoices raised against the project). The Government has shown commitment to provide timely counterpart funds, and this will be monitored through quarterly progress reports; (iii) Delays in submitting justification for amounts disbursed into the special accounts to the Bank. To mitigate these challenges, the Government needs to provide timely Counterpart Funds during project implementation. Secondly, the Project Management is encouraged to accurately forecast six months of expenditures, adhere to the work plan, procurement plan, and submit justification to the Bank within the time prescribed in the disbursement letter and disbursement handbook.

4.1.11 The project will prepare quarterly reports and submit them to the Bank within 45 days after the end of each quarter. The Internal controls of the MANR including the internal audit of the project will apply to this project. This will include the inclusion of the project in the internal audit program and conducting audit at least twice per annum based on risk basis. An independent auditor will audit the project annual financial statements in line with the General Conditions of the Grant Agreement. The National Audit Chamber (NAC) or Private Audit Firm appointed with the involvement of NAC in accordance to the terms of reference for Bank financed projects should audit the project. The ongoing EYSP I has been complying with the submission of audit reports to the Bank. The submission of audited project financial statements, along with the management letter, to the Bank is within six (6) months after the end of each fiscal year. The cost of the auditing the project is part of the eligible expenditure of the Project to cater for audit fees of the private audit firm. If the audit is conducted by NAC, no audit fees is payable, but on exceptional circumstances, reimbursable expenses like per diem for staff and transportation can be paid if NAC is facing financial constraints.

4.1.12 Disbursement Arrangement: The direct payment and special account/revolving fund methods used by the Bank to disburse funds will apply to the project to pay eligible project expenses. The other two methods also described in the Disbursement Handbook maybe used when necessary with prior approval from the Bank. The funds from the Transition Support Facility (TSF) are disbursable and payable in only US dollars and Euros. The project contracts and disbursement applications should be denominated and made payable in EUR or USD. The Bank will issue a disbursement letter stipulating key disbursement procedures and requirements. The GoS will open special accounts in foreign currency and an operating account in local currency at bank(s) acceptable to Bank. For the RSFM, the funds shall be disbursed to a dedicated RSF bank account managed by the Tyseer. The Bank will issue disbursement letter stipulating key disbursement procedures and requirements.

4.2. Monitoring

4.2.1 EYSP Project II will make use of the existing computerized Monitoring and Evaluation (M&E) system of the EYSP Project I to monitor results with an emphasis on outcomes and impacts, as well as the regular monitoring of inputs and outputs covering the four main components. Effort will be made to ensure gender-disaggregated data at every level and where applicable. The project will also make use of national data sets (e.g. National Statistics Office, Youth employment statistics, Household surveys) and project reports whenever possible. The Bank will conduct supervision missions at least twice a year. The NPCU will prepare and submit quarterly progress reports according to the format and procedures of the Bank. The Mid-Term Review will be undertaken in PY3. Project Completion Report will be prepared during PY5.

Activity	Responsible Entity	Timeframe
Appraisal	ADF	February 2021
Negotiations	Government/ADF	May 2021
Project Approval	ADF	June 2021
Signature of Grant Agreement and effectiveness	Government/ADF	August 2021
Fulfilment of 1 st Disbursement Conditions	ADF	August 2021
Project Launching	ADF/ Government/ NPCU	September 2021
Service Delivery	NPCU/Service providers	October 2021/ June 2026
Mid-term Review	ADF/Government/NPCU	December 2023
Completion Report	ADF/ Government/ NPCU	June 2026 or when 85% disbursement rate achieved
Auditing	Government/ NPCU	Annually

4.3. Governance

4.3.1 Recent international assessments show that Sudan has improved its accountability and transparency ratings and indicators of Governance including corruption control, rule of law, regulatory quality and Government effectiveness. However, the country still faces challenges on some governance indicators, among others, poor budget planning and execution leading to extra-budgetary expenditures, misuse of funds, lack of internal controls and accountability, weak tax collection and administration systems, ineffectiveness in procurement and audit, shortage of qualified accounting and auditing staff, absence of a robust legal framework and poor governmental financial control systems. The transitional government is taking steps under the new Staff Monitored Program (SMP) to improve economic governance; notably Public Finance Management through improved budget planning and enhanced fiscal reporting and state-owned enterprises oversight.

4.3.2 The main governance issues for the project are related to Public financial management and procurement shortcomings. To mitigate these problems, the project will: (i) ensure the use of standard bidding documents and procedures of the Bank; (ii) provide financial management manual to guide project staff; (iii) promote regular submission of progress reports; and (iv) employ qualified and experienced procurement and financial management specialists for the NPCU. The Bank will also conduct regular Fiduciary clinics to address the capacity issues. To ensure regular and quality reporting on implementation progress, the project will have a monitoring and evaluation officer in the NPCU. Supervision missions and audits, with close follow up by Bank's Sudan Country Office will monitor adherence to the Bank standards and procedures to ensure value for money is achieved.

4.4. Sustainability

4.4.1 Recognizing youth entrepreneurship and empowerment as a source of job creation, food security, and economic growth, the Government of Sudan attaches great significance to the ENABLE Youth Program. The project is expected to provide an enabling environment for growth of sustainable commercially viable agribusiness SMEs, development of priority agricultural value chains, and contributing to the diversification of the economy. A key factor of the project's sustainability is rehabilitation and equipping of YABICs with the agribusiness incubation management and implementation capacities needed to provide quality support services to youth over the long term. In addition, capacity building of the NPCU, YABIC hosting institutions, PFIs, the private sector, and other stakeholders on planning, delivery, and monitoring of youth entrepreneurship programming will provide

the necessary knowledge, experience, and ownership for successfully managing a youth entrepreneurship program beyond the project lifespan.

4.4.2 The involvement of the private sector in the project through public-private partnerships agreements established through the ENABLE Youth Program is another factor of the project's sustainability. In view of this, the project will support government's commitment to the development of regulatory framework for SMEs and appropriate policies that will facilitate linkages to local and export markets and ensure enforcement of enacted regulations. Another key factor of the project's sustainability is the ENABLE Youth Sudan Program's RSFM facility which provides sustainable access to finance for agripreneurs even after the operation closes as repayments are collected into a revolving fund to utilize the repaid amounts for the same purpose.

4.5 Risk Management

4.5.1 In addition to the fiduciary, environment & climate change, and social risk matters discussed in the preceding sections of the PAR, the Project will involve other potential risks on the successful execution of the project. The overall implementation risk is assessed as 'moderate to substantial'. The Bank has identified all the risks that are likely to arise and have proposed mitigation measures to address them considering lessons learnt from the on-going ENABLE Youth project. Specific risks and their appropriate mitigation measures are detailed in Appendix 4. Close supervision coordinated with other Development partners will ensure continuous monitoring of risks throughout the implementation period.

4.6 Knowledge Building

4.6.1 The EYSP I was the first stand-alone operation under the Bank's ENABLE Youth Program and it has already generated substantial knowledge including the first National Global Entrepreneurship Monitor (GEM) Report for Sudan. The EYSP Project II will build on the progress achieved with project I and will add value to the overall design and management of subsequent ENABLE Youth operations in Sudan and across the continent. Progress reports, audit reports, mid-term review reports, and completion reports as well as other information routinely collected, as part of monitoring and evaluation framework will be used to document the lessons learnt. NPCU will collect, collate, and analyse data from all YABICs activities and participating financial institutions, including standardized M&E reports. The Bank will share this knowledge with other development partners and stakeholders engaged in youth empowerment in agribusiness.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1 The legal instrument to finance this operation is a TSF Pillar I Protocol of Agreement between the Republic of the Sudan (the "Recipient") and the African Development Bank (the "Bank") and the African Development Fund (the "Fund") (the Bank and the Fund together the "Fund") as Administrators of the TSF for an amount of UA 20 million (the "Grant Agreement").

5.2 Conditions associated with the Fund's intervention

A. Condition Precedent to Entry into Force of the Grant Agreement:

The Grant Agreement shall enter into force on the date of signature by the Recipient and the Fund.

B. Conditions Precedent to First Disbursement of the Grant:

The obligation of the Fund to make the first disbursement of the Grant shall be subject to the entry into force of the Grant Agreement.

C. Other Conditions:

- (i) The Recipient shall submit to the Fund a withdrawal request with a foreign currency denominated Special Account and a local currency account in a bank acceptable to the Fund, for deposit of the proceeds of the Grant.
- (ii) Not later than six (6) months from the date of entry into force of the Grant Agreement, the Recipient shall submit to the Fund proof of execution and delivery of an agreement for hosting and managing the Risk Guarantee Fund (RGF) of the Project between the Executing Agency and the Recipient's Microfinance Guarantee Agency (the "Tyseer") in form and substance satisfactory to the Fund;
- (iii) The Risk Guarantee Fund resources will be disbursed to the Recipient's Microfinance Guarantee Agency in two (2) equal tranches upon the fulfilment of the following conditions:
 - (1) *First Tranche*: the opening of a dedicated bank account by the Recipient in a bank acceptable to the Fund, for the deposit of the Risk Guarantee resources;
 - (2) *Second Tranche*: the establishment of youth-led agribusinesses financed by Participating Financial Institutions (the PFIs) and pipeline of agribusiness proposals submitted by Agripreneurs and approved for financing by the PFIs.

D. Undertakings:

The Recipient undertakes the following:

- i. To maintain the ENABLE Youth Program National Coordination Unit (the "NPCU") established under project I, responsible for inter alia the day-to-day execution of the Project including inter alia financial management, procurement, and monitoring and evaluation, throughout the period of Project implementation;
- ii. To appoint or designate additional assistant accountants at YABICs for the NPCU with qualifications and terms of reference acceptable to the Fund.
- iii. To maintain, throughout the period of Project implementation, the multi-sectoral Steering Committee established under the ENABLE Youth Program project I, chaired by the Executing Agency, responsible for Project oversight, overall policy guidance, strategic direction, review and approval of work plans, and budgets;
- iv. To deliver to the Fund Project quarterly reports and any other reports required in form and substance acceptable to the Fund;
- v. To provide timely Recipient's counterpart contribution for the Project throughout Project implementation;
- vi. To carry out the Project in accordance with: (a) Fund's rules and procedures; and (b) national legislation;
- vii. To take all appropriate measures and actions necessary to ensure that the Grant proceeds shall not be used by banks, financial institutions or otherwise to finance activities, involving

- predatory lending or other forms of financial exploitation;
- viii. To take all appropriate measures and actions necessary to ensure that the Executing Agency and/or its agents shall not use the Grant proceeds for financing of activities or portfolios of activities contracted prior to signature of the Agreement;
 - ix. To take all appropriate measures and actions necessary to ensure that the Executing Agency and/or its agents shall use the Grant proceeds for purposes intended under the Project pursuant to sound banking principles;
 - x. To execute measures to mitigate financial risks associated with Project implementation and to meet requirements for Project financial management and adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project as required by the Fund; and
 - xi. To take all appropriate measures and actions necessary to ensure that the Grant proceeds shall not be used to guarantee or otherwise finance any of the activities under the Fund's Negative List (Appendix 7).

5.3 Compliance with Fund Policies

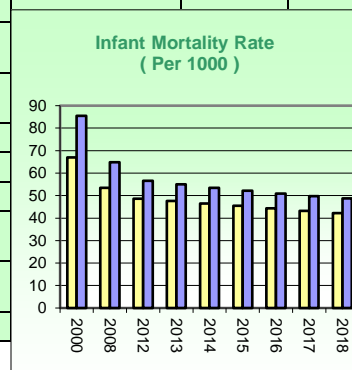
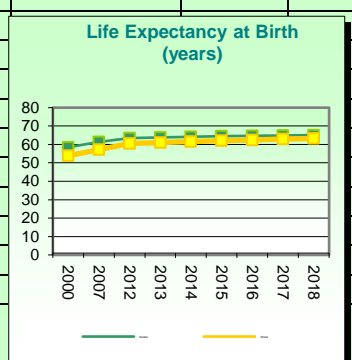
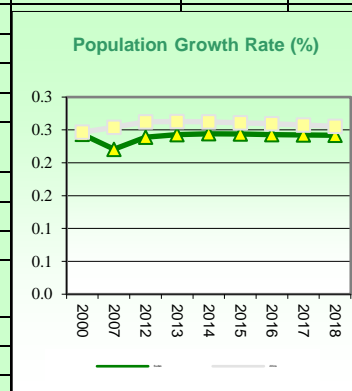
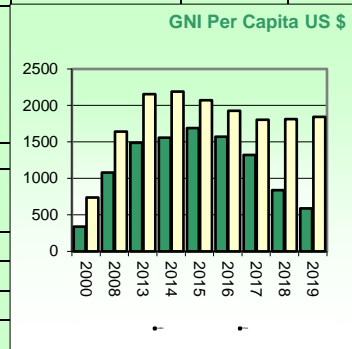
5.3.1 This Project complies with all applicable Bank policies.

VI – RECOMMENDATION

6.1 Management recommends that the Boards of Directors approve the proposed TSF (Pillar I) grant of UA 20 million to the Republic of the Sudan for the purposes and subject to the conditions stipulated in this report.

Appendix 1: Sudan - Comparative Socio-economic Indicators

	Year	Sudan	East Africa	Africa	Developing Countries
Basic Indicators					
Area ('000 Km ²)	2019	1,879	6,232	30,067	94,797
Total Population (millions)	2019	42.8	365.8	1,306.3	6,384.0
Urban Population (% of Total)	2019	34.7	27.7	43.3	50.3
Population Density (per Km ²)	2019	22.8	62.7	44.5	69.2
GNI per Capita (US \$)	2019	590	981	1 843	5 102
Labor Force Participation *- Total (%)	2019	48.4	73.2	63.2	60.7
Labor Force Participation **- Female (%)	2019	29.1	66.5	54.6	45.8
Sex Ratio (per 100 female)	2019	99.8	99.3	99.8	107.1
Human Develop. Index (Rank among 189 countries)	2018	168
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-18	12.7	34.2	35.6	11.9
Demographic Indicators					
Population Growth Rate - Total (%)	2019	2.4	2.7	2.7	1.2
Population Growth Rate - Urban (%)	2019	3.3	4.6	3.6	2.3
Population < 15 years (%)	2019	40.2	41.9	40.6	27.6
Population 15-24 years (%)	2019	20.4	20.7	19.3	16.4
Population >= 65 years (%)	2019	3.6	3.0	3.5	7.2
Dependency Ratio (%)	2019	77.9	81.3	78.7	54.6
Female Population 15-49 years (% of total population)	2019	24.3	24.4	24.2	25.2
Life Expectancy at Birth - Total (years)	2019	65.3	65.2	63.5	70.8
Life Expectancy at Birth - Female (years)	2019	67.2	67.1	65.3	73.0
Crude Birth Rate (per 1,000)	2019	31.8	33.4	33.0	20.2
Crude Death Rate (per 1,000)	2019	7.1	6.6	8.0	7.3
Infant Mortality Rate (per 1,000)	2018	42.1	39.7	48.7	31.3
Child Mortality Rate (per 1,000)	2018	60.5	56.4	70.2	42.0
Total Fertility Rate (per woman)	2019	4.3	4.4	4.4	2.6
Maternal Mortality Rate (per 100,000)	2017	295.0	433.9	432.3	230.0
Women Using Contraception (%)	2019	17.0	41.5	39.1	61.7
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-18	26.2	11.3	33.4	121.8
Nurses and midwives (per 100,000 people)	2010-18	69.5	82.7	107.8	240.8
Births attended by Trained Health Personnel (%)	2010-18	77.5	55.3	62.9	79.4
Peop. Using at least basic drinking water services (% of Pop.)	2017	60.3	51.3	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	36.6	23.9	40.3	68.5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2018	0.2	2.7	3.4	...
Incidence of Tuberculosis (per 100,000)	2018	71.0	183.4	202.3	154.0
Child Immunization Against Tuberculosis (%)	2018	88.0	86.7	81.4	84.9
Child Immunization Against Measles (%)	2018	88.0	78.9	76.1	85.2
Underweight Children (% of children under 5 years)	2010-17	33.0	20.1	17.5	14.5
Prevalence of stunting	2010-17	38.2	35.1	34.0	23.6
Prevalence of undernourishment (% of pop.)	2017	20.1	27.2	18.5	12.3



Current health expenditure (% of GDP)	2017	6.3	6.2	5.6	5.4			
Education Indicators								
Gross Enrolment Ratio (%)								
Primary School - Total	2010-19	76.8	98.0	100.1	103.6			
Primary School - Female	2010-19	74.4	96.1	98.1	102.4			
Secondary School - Total	2010-19	46.6	35.8	52.4	71.9			
Secondary School - Female	2010-19	47.0	35.8	50.3	71.4			
Primary School Female Teaching Staff (% of Total)	2010-18	...	44.4	48.6	62.9			
Adult literacy Rate - Total (%)	2010-18	60.7	65.7	66.9	84.0			
Adult literacy Rate - Male (%)	2010-18	40.3	74.5	70.8	88.2			
Adult literacy Rate - Female (%)	2010-18	56.1	60.2	60.0	79.8			
Government expenditure on Education (% of GDP)	2010-18		4.2	4.7	4.0			
Environmental Indicators								
Land Use (Arable Land as % of Total Land Area)	2016	...	13.2	8.0	11.4			
Agricultural Land (as % of land area)	2016	...	50.7	38.2	38.3			
Forest (As % of Land Area)	2016	...	21.2	13.2	31.9			
Per Capita CO2 Emissions (metric tons)	2013	0.3	0.2	1.2	3.5			
<i>Sources: AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.</i>						<i>last update:</i>	<i>October 2020</i>	
<i>Note: n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)</i>								

Appendix 2: AfDB's Active Portfolio in Sudan (as of March 2021)

	Long Name	Sector	Completion date	Amount (UA)	Disbursement Ratio (%)
1a	DAL GROUP CO LTD(FOOD AND AGRICULTURAL INVESTMENT PROGRAMME)	Agriculture	3/14/2025	27,940,570.41	100.00
1b	DAL GROUP CO LTD(FOOD AND AGRICULTURAL INVESTMENT PROGRAMME)	Agriculture	3/14/2025	25,081,514.92	100.00
2	ELNEFEIDI GROUP	Agriculture	12/31/2025	41,910,855.61	100.00
3	SUDAN -ACCELERATING WOMEN ENTREPRENEURSHIP AND ACCESS TO FIN	Social	12/31/2027	9,970,000.00	0.00
4	EMERGENCY ASSISTANCE TO WHITE NILE STATE 2018	Social	12/31/2021	698,514.26	0.00
5	POLICY SUPPORT TO PREPARATION FOR DEBT RELIEF	Multi-Sector	6/30/2022	660,000.00	38.83
6a	SOLAR (PV) POWERED PUMPING SYSTEM (DESERT-TO-POWER INITIATIV	Power	12/31/2025	266,000.00	0.00
6b	SOLAR (PV) POWERED PUMPING SYSTEM (DESERT-TO-POWER INITIATIV	Power	12/31/2025	14,134,000.00	0.00
7a	ENABLE YOUTH SUDAN	Agriculture	6/30/2022	1,250,000.00	81.63
7b	ENABLE YOUTH SUDAN	Agriculture	6/30/2022	19,700,000.00	57.86
8a	AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT	Agriculture	12/31/2023	4,000,000.00	2.29
8b	AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT	Agriculture	12/31/2023	24,950,000.00	2.92
9a	WATER SECTOR REFORMS AND INSTITUTIONAL CAPACITY DEVELOPMENT	Water	12/31/2021	668,840.40	99.39
9b	WATER SECTOR REFORMS AND INSTITUTIONAL CAPACITY DEVELOPMENT	Water	12/31/2021	15,000,000.00	63.02
10	INSTITUTIONAL CAPACITY DEVELOPMENT FOR IMPROVED ACCESS TO WA	Water	12/31/2022	15,000,000.00	5.62
11a	SUSTAINABLE RURAL WATER SUPPLY AND SANITATION PROJECT IN NOR	Water	12/31/2024	22,134,000.00	0.84
11b	SUSTAINABLE RURAL WATER SUPPLY AND SANITATION PROJECT IN NOR	Water	12/31/2024	1,003,260.60	2.54
12	IMPROVING HEALTH ACCESS AND SYSTEMS STRENGTHENING PROJECT (S	Social	6/30/2023	20,050,000.00	39.48
13	CAPACITY BUILDING FOR IMPROVED QUALITY OF THE EDUCATION SYST	Social	12/31/2021	15,300,000.00	43.77
14	BUILDING CAPACITY FOR INCLUSIVE SERVICE DELIVERY (BCISD)	Social	12/31/2021	27,990,000.00	48.75
15	TECHNICAL ASSISTANCE & CB TO THE PREPARATION OF FULL POVERTY	Multi-Sector	3/30/2021	1,973,285.00	92.25
16a	SUDAN-COVID-19 EMERGENCY RESPONSE SUPPORT PROJECT	Multi-Sector	9/30/2022	18,750,000.00	0.00
16b	SUDAN-COVID-19 EMERGENCY RESPONSE SUPPORT PROJECT	Multi-Sector	9/30/2022	1,250,000.00	0.00
17	RURAL LIVELIHOODS' ADAPTATION TO CLIMATE CHANGE IN THE HORN	Agriculture	4/30/2022	4,947,162.29	25.37
18a	SUDAN_DROUGHT RESILIENENCE AND SUTAINABLE LIVELIHOODS IN THE	Agriculture	12/31/2021	10,000,000.00	12.88
18b	SUDAN-DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD PROGRAMS	Agriculture	6/30/2023	10,000,000.00	41.83
18c	SUDAN-DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD PROGRAMS	Agriculture	6/30/2023	9,872,840.48	14.04
	Totals			344,500,843.97	

Appendix 3: Matrix on M&E Arrangements

A. Alignment indicators						
Indicator name	Definition/ description	Source	Baseline and targets (where possible)			
Number of people who are hungry / malnourished	<i>Number of people with food and nutrition insecurity</i>	<i>Bureau of Statistics.</i>	Baseline (date): not available; Target (2031): not available			
Youth unemployment rate (%)	<i>Percent of youth that are unemployed and/or underemployed</i>	<i>Bureau of Statistics.</i>	Baseline (2018): 26.7%; Target (2031): decreased by 5%			
B. Outcome and output indicators (performance indicators) under ENABLE Youth Sudan Project II						
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning	
					Mid-term	Completion
Outcome Indicators						
<i>No. of youth agribusinesses established (50% female)</i>	No. of agribusiness enterprises established by the youth Agripreneurs	Project progress reports, M&E reports	PIU, Participating Financial Institutions	Annually	700	1,500
<i>No. of direct jobs created (50% female)</i>	No. of direct jobs created by the youth agribusinesses	Project reports, M&E reports	PIU	Annually	4,000	9,000
Output Indicators						
<i>No youth (men and women) sensitized</i>	Youth awareness created to promote agriculture as a viable business	Project progress reports	PIU	Quarterly	125,000	250,000
<i>No operational YABIC Resource Centers</i>	Youth resources centers established in each YABIC	Project progress reports	PIU	Quarterly	10	10
<i>% land accessibility report recommendations implemented</i>	Land accessibility report for guiding youth on land access and tenure issues	Project progress reports	PIU	Quarterly	70	100
<i>No of market assessments of priority value chains completed</i>	Comprehensive value chain assessment on key agriculture commodities	Project progress reports	PIU	Quarterly	5	5
<i>No Participating Banks agreed to finance youth under the RSFM facility</i>	Banks onboard to finance youth agribusiness ventures under the RSFM facility	Project progress reports	PIU, Tyseer	Quarterly	6	6
<i>No agreements with YABICs hosting partners signed</i>	Agreements signed with YABICs hosting partners	Project progress reports	PIU	Quarterly	10	10
<i>No YABICs rehabilitated and equipped</i>	YABICs rehabilitated, upgraded and equipped	Project progress reports	PIU	Quarterly	8	10
<i>No youth candidates</i>	Youth candidates selected	Project progress	PIU	Quarterly	700	1400

<i>trained (50% females) under incubation program</i>	& trained (50% females) under incubation program	reports				
<i>No youth candidates trained (50% females) under acceleration program</i>	Youth candidates selected & trained (50% females) under acceleration program	Project progress reports	PIU	Quarterly	300	600
<i>No coached business plans developed</i>	Agribusinesses proposals and loan applications developed by Agripreneurs	Project progress reports	PIU, Participating Financial Institutions	Quarterly	900	1800
<i>No youth agribusinesses financed (50 % female) under incubation program</i>	Youth agribusinesses financed by PFIs under incubation program	Project progress reports	PIU, Participating Financial Institutions	Quarterly	600	1260
<i>No youth agribusinesses financed (50 % female) under acceleration program</i>	Youth agribusinesses financed by PFIs under acceleration program	Project progress reports	PIU, Participating Financial Institutions	Quarterly	250	540

Appendix 4: Matrix of Risks

RISK CATEGORY	RISK DESCRIPTION	RATING	MITIGATION MEASURE	RISK OWNER
Country's political and governance context	Political instability and the reversal of the current political and security gains.	High	Continued international assistance to the Transitional Government to keep progressing towards a more effective and democratic state. Continued presence of peacekeeping forces and the UN to monitor the main drivers of fragility to prevent and respond to significant events.	Country/international community
Macroeconomic	Non-adherence to SMP requirements, policy reversals and lack of commitment to priority reforms	Substantial	Continued IMF SMP, revenue administration and PFM reforms to mitigate fiscal risks and DP increased donor funding and policy dialogue around new funding and development of new funding instruments.	Country
Sector strategies and policies	COVID-19 pandemic negatively impacting government commitment to the sector.	Moderate	Economic diversification through revival of agriculture sector remains government priority.	Country
Technical design of the operation	Youth may not be attracted to agriculture	Low	Change in mind-sets through outreach strategy targeting youth to promote agriculture as a viable business	EA
	Potential failure of youth business start-ups.	Substantial	Training and mentoring in building youth business skills while in YABICs; ii) Efficient post incubation follow-up and counselling	
Fiduciary and value for money	Failure to comply with Bank's fiduciary guidelines resulting in program/project implementation delays	Moderate	Bank to continue providing fiduciary clinics to ensure strengthened capacity.	Country
Social	Insufficient female youth applications received and female Agripreneurs retained	Low	Targeted outreach campaign for female participation. Sensitization of decision-makers on gender equality. Specific mentorship targeting young women	EA
Capacity of implementing entity	Weak implementation capacity of the PIU	Low	The project is using existing PIU which is adequately implementing the ongoing EYSP Project I. Capacity building/training will be provided to the PIU and YABICs hosting institutions. The Bank will also conduct yearly fiduciary clinics to ensure strengthened capacity.	EA, Bank

Appendix 5: Map of Program Area



Appendix 6: Project Fragility Analysis

Introduction

Sudan has been stuck in a cycle of recurring conflict for decades. The country became independent from colonial rule in 1956 and since that time, successive regimes failed to gain acceptance by the entire population. Lack of economic development in the South, along with longstanding ethnic and religious tensions stemming from the imposition of Islamic politics from Northern politicians resulted in a longstanding civil war between the North and the South beginning in 1955.

The first Addis Ababa Agreement brought a temporary conclusion to hostilities in 1972 but the conflict was soon reignited in 1983. At the peak of the civil war in 2003, the government militia Janjaweed committed ethnic cleansing in Darfur. After many more attempts at negotiations and broken agreements, the Comprehensive Peace Agreement in 2005 concluded the warfare, established a new constitution, and led to South Sudan's independence in January 2011 after a referendum. However, conflict with armed groups is ongoing in Darfur and along the border in South Kordofan, notably in Abyei.

In December 2018, protests in Khartoum triggered by a deteriorating economic situation, rising food prices, unemployment and marginalization of youth and women caused the deep dissatisfaction with the 30-year regime of President Omar al-Bashir to erupt. In April, after violent efforts to suppress protestors failed, the military arrested Bashir and created the Transitional Military Council (TMC) to rule the country for one year. Protests broke out again because citizens saw the TMC as a vestige of the old regime that failed to meet their demands for legitimate civilian representation.

A new agreement, signed on August 19, 2019, established a new interim government led by a prime minister with a commitment to transition to democratic representation within three years. A cabinet of 25 ministers was appointed and operate under the overall guidance of the Sovereign Council (SC) which includes five members of the old TMC military establishment and six members of the new civilian-led government.

Fragility and unemployment in Sudan

Unemployment in Sudan is influenced by a combined effect of drivers of fragility which include the structure of the economy, political situation, migration and conflict. As for the structure of the economy, most employed workers are concentrated in the traditional agricultural sector, while manufacturing and industrial sectors have only marginal share in total sectoral employment. As techniques of production are most likely characterized by high labor intensity and low productivity of labor, rates of return on employment (real wages) are low. The weak, informal and unsystematic role of workers associations, the weak social security system and social protection for workers, lack of unemployment insurance, weak and inefficient regulations and institutional settings to organize the labor market, rigidity and lack of dynamism, deficiency in employment, monitoring, planning and skill upgrading add to the challenges of expanding employment in Sudan.

The growing inflow of FDI and the increased wealth from oil has encouraged migration to the Sudan in a recent past. Consequently, migrant workers have increased in the labor market, particularly in the private sector that also probably affected the structure of labor market and contributed to the growing unemployment rate, especially after the separation from the South. In addition, the Sudan suffered from structural problems related to the lack of political stability, continuous conflict, regional disparities due to imbalanced development strategies, poverty and low skill level which has also affected the structure of labor market and contributed to high unemployment rate.

The north-south conflict has also contributed to increased unemployment because the civil war not only led to displacement of many workers and job loss but also implied the large spending on defense and security issues rather than prioritizing investment in social development and creation of more employment opportunities, this in turn contributed to increase in unemployment problem in Sudan.

Given the aforementioned features of the labor market and the increasing share of youth in total population and labor force, low participation rates, especially low participation rates for women, it sounds natural that unemployment, disproportionately affects the youth more than the rest of the labor force. Hence, the upskilling and creation of employment is an imperative to overcome the strategic problems and challenges confronting economic development in Sudan.

EYSP Project II and Fragility

The EYSP Project II aims to encourage the growth of sustainable viable agribusiness SMEs by supporting the establishment of well-structured entrepreneurship and agribusiness skills development program and providing access to commercial loans for investment in a range of agribusiness ventures along priority value chains in the Sudan. The project will achieve these objectives by training and empowering 2000 agripreneurs, including target of a 50:50 female and men participation in all incubation centers through a targeted outreach program to bolster female participation. At least 1500 businesses are expected to be financed under the project and each of these agripreneurs is expected to employ on average five other support workers, generating about 9,000 direct jobs over the first 5 years of the project. The target youth will be in two categories; about 1,400 youth unemployed graduates who have completed post-secondary education (incubation); and the second group are 600 graduate youths who are already engaged in agribusiness but have no or limited access to commercial loans to grow their businesses (acceleration). All youth selected will be graduates with at least a post-secondary diploma/certificate and aged 18 to 35 years.

EYSP Project II will be implemented in ten YABICs in Sennar, White Nile, Blue Nile, North Kordofan, South Kordofan, and Darfur. The selection of project sites was made based on the number and concentration of unemployed graduate youth (main urban centres), availability of markets, financial services, roads and other market infrastructures.

The above description of the EYSP Project II demonstrates that it addresses various drivers of fragility in Sudan. The objective of the project **addresses youth unemployment**; the choice of the target population and regions of implementation addresses or **promotes gender equality and regional development balance and social cohesion** by including young men and women from previously marginalized areas of the country. Furthermore, the training in smart and resilient agriculture, **promotes climate and environmental resilience**.

Conclusion and recommendation

In conclusion, the EYSP Project II is deemed highly responsive to fragility in Sudan. By promoting skills development and economic opportunities for the youth (men and women) and promoting smart and environmental sensitive agricultural value-chains development, the project can create jobs, increase national income and foreign exchange earnings and diversify the economy. Therefore, it is recommended that it be approved and implemented as a way of meeting the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019, extended to 2021).

Appendix 7: Negative List

1. Production of, or trade in, any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
2. Production of, or trade in, radioactive materials, with the exception of medical materials and quality-control equipment for which the Bank considers the radioactive source to be trivial and adequately shielded.
3. Production of, or trade in, or use of, unbonded asbestos fibres or other products with bonded asbestos as dominant material.
4. Production of, or trade in, pharmaceuticals, chemical compounds and other harmful substances subject to international phase-outs or bans, including pesticides classified by the World Health Organization as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous).
5. Production of, or trade in, ozone-depleting substances subject to international phaseout.
6. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
7. Purchase of logging equipment for use in unmanaged primary tropical rainforests.
8. Production or activities involving harmful or exploitative forms of forced labor³ and/or harmful child labor⁴ as defined by national regulations and international standards.
9. Goods and services supplied under a contract which any national or international financing institution or agency other than the Bank has financed or agreed to finance, or which the Bank has financed or agreed to finance under another grant or loan.
10. Goods intended for military and/or paramilitary purposes.
11. Alcoholic beverages.
12. Un-manufactured tobacco, tobacco refuse, manufactured tobacco (whether or not containing tobacco substitutes) and tobacco processing machinery.
13. Platinum, pearls, precious and semi-precious stones, silver, gold and related products.
14. Nuclear reactors and parts thereof, non-irradiated fuel elements (cartridges) for nuclear reactors.
15. Goods for luxury consumption.

³Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

⁴ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



AFRICAN DEVELOPEMENT BANK GROUP

A. Basic Information¹

Project Title: Enable Youth Program II		Project "SAP code": P-SD-AAZ-012	
Country: SUDAN	Lending Instrument²: DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Agriculture		Task Team Leader: Mohamud EGEH	
Appraisal date: 11 th , February 2021		Estimated Approval Date: 30 th June 2021	
Environmental Safeguards Officer: xxxxx			
Social Safeguards Officer: Kingsley EJIM			
Environmental and Social Category: 3	Categorization date: 01/13/2021	Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is this project processed under a waiver to the Integrated Safeguards System?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify:)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA
Date of receipt, by the Bank, of the authorization to disclose	NA
Date of disclosure by the Bank	NA
Resettlement Action Plan/Framework/Others (specify:)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA
Date of receipt, by the Bank, of the authorization to disclose	NA
Date of disclosure by the Bank	NA
Vulnerable Peoples Plan/Framework/Others (specify:)	
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	NA
Date of receipt, by the Bank, of the authorization to disclose	NA
Date of disclosure by the Bank	NA
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA.	

B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>

C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?

Yes No

<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	xxxx		
Social Safeguards Officer:	Kingsley EJIM		January 13th, 2021
Task Team Leader:	Mohamud EGEH		January 13th, 2021
Submitted by:			
Sector Director:	Martin FREGENE		04/05/2021
Cleared by:			
Director SNSC:	Maman-Sani ISSA		04/05/2021

¹ **Note:** This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

² **DI**=Direct Investment; **FI**=Financial Intermediary; **CL**=Corporate Loan; **BS**=Budget Support; **GU**=Guarantee; **RPA**=Risk Purchase Agreement; **EF**=Equity Financing; **RBF**=Results Based Financing.