

AFRICAN DEVELOPMENT BANK GROUP



PROJECT: ACCELERATING WOMEN ENTREPRENEURSHIP AND ACCESS TO FINANCE (AWEAF) PROJECT

COUNTRY: REPUBLIC OF THE SUDAN

PROJECT APPRAISAL REPORT

Date: November 2020

Preparation Team	Team Leader	J. NDAO	Chief Entrepreneurship and SME Development Officer	AHHD0	8381
	Co-Team Leader	M. KATUVESIRAUINA	Principal Investment Officer	AFAWA	8391
	Team Members	D. ELHASSAN	Senior Gender Expert	RDGE2	8239
		C. UMUHIRE	Senior Agriculture Officer	RDGE2	8382
		S. WOLDETENSAY	Procurement Officer	COET	7266
		G. KAIJAGE	Principal Financial Management Officer	COTZ	6456
		E. BAKILANA	Principal Legal Counsel Officer	PGCL1	4457
		A. MUJA	Chief Social Safeguards Officer/E&S Regional Coordinator	SNSC	8462
		R. OCHIENG	Climate Change and Green Growth Consultant	RDGE1	8122
		M. WANYAMA	Principal Country Program Officer	COSD	6866
		Y. ELTAHIR	Senior Country Economist	COSD	6867
		E. DAVA	Senior Fragility and Resilience Officer	RDTS	6956
	Sector Manager	T.J. MUZIRA		AHHD0	4555
	Regional Sector Manager	J. COOMPSON		RDGE2	8415
	Country Manager	R. DUROWOJU		COSD	6868
Sector Director	M. PHIRI		AHHD	4014	
Ag. Director General	N. NWABUFO		RDGE	8343	
Peer Reviewers	E. MPYISI, Chief Financial Economist			AHAI1	8379
	G. KYOKUNDA, Chief Investment Officer			PIFD/RDGE	8352
	M. GOMES, Principal Advisory Services Officer			PINS1	4423

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Currency Equivalents

(August 2020)

1 UA	=	1.19 EUR
1 UA	=	77.91 SDG
1 EUR	=	65.33 SDG

Fiscal Year

January 1st – December 31st

Acronyms and Abbreviations

ADF	African Development Fund	MFGA	Microfinance Guarantee Agency
AFAWA	Affirmative Finance Action for Women in Africa	MFI	Microfinance Institution
AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism	MIS	Management Information System
AWEAF	Accelerating Women's Entrepreneurship and Access to Finance Project	ML/TF	Money Laundering/Financing of Terrorism
BDS	Business Development Services	MOA	Ministry of Agriculture
CBoS	Central Bank of Sudan	MoFEP	Ministry of Finance and Economic Planning
CE	Credit Enhancement	MoLSD	Ministry of Labour and Social Development
CEF	Credit Enhancement Facility	MSME	Micro, Small and Medium Enterprise
CT	Country Team	NCP	National Congress Party (NCP)
DFID	Department for International Development (UK)	NGO	Non-Governmental Organization
DPs	Development Partners	PFIs	Partner Financial Institutions
EA	Executing Agency	PIU	Project Implementation Unit
ENABLE	Empowering Novel Agri-Business-Led	RBLF	Results Based Logical Framework
EU	European Union	RGF	Repayable Grant Facility
ESAP	Environmental and Social Assessment	SDG	Sudanese Pound
EU	European Union	SMEs	Small and Medium Enterprises
FI	Financial Institution	SSTL	State Sponsor of Terrorism List
GDP	Gross Domestic Product	TMC	Transitional Military Council
GETF	Gender Equality Trust	TSF	Transition Support Facility
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH or German	UA	Unit of Account
GoS	Government of Sudan	UNFPA	United Nations Population Fund
GPN	General Procurement Notice	UNIDO	United Nations Industrial Development
IFAD	International Fund for Agric. Develop.	UNHCR	United Nations High Commissioner for
IMF	International Monetary Fund	USAID	United States Agency for International
ILO	International Labour Organisation	UA	Unit of Account
M&E	Monitoring and Evaluation Specialist	WMSMEs	Women-led/owned Micro, Small and
MARF	Ministry of Animal Resources and Fisheries	MDB	Multilateral Development Bank

Grant Information

Client's information

RECIPIENT: REPUBLIC OF THE SUDAN

EXECUTING AGENCY: MINISTRY OF LABOUR AND SOCIAL DEVELOPMENT

Financing plan

Source	EUR	Amount	Percentage	Instrument
		UA		
TSF (Pillar I)	11.87	9.97	92.82	Grant
GoS	0.92	0.77	7.18	NA
Total Cost	12.79	10.74	100.00	

Important Financial Information

Grant Currency	UA
Commitment Charge/Fee	NA
Service Charge	NA
Tenor	NA
Grace Period	NA
FIRR, NPV (base case)	38.0%
EIRR, NPV (base case)	39.4%

Timeframe - Main Milestones (expected)

Concept Note Approval	May, 2020
Appraisal	August 2020
Project Approval	December, 2020
Effectiveness	December, 2020
Completion	December, 2025
Closing Date	June, 2026

PROJECT SUMMARY

1. Project Overview: The objective of the Accelerating Women’s Entrepreneurship and Access to Finance (AWEAF) project is to strengthen women’s potential as economic actors and leaders in entrepreneurship in Sudan by addressing capacity, financing, and ecosystem knowledge gaps. The Project will focus on the states of Khartoum and Red Sea, where women are significantly economically active as entrepreneurs, access to markets is conducive to growth, and financial institutions are already serving women-led/owned micro, small, and medium enterprises (WMSMEs). The Project is expected to directly empower 570 women entrepreneurs by providing technical and business development training and access to finance that will lead to an average 10% growth in business revenue for the women business owners and the creation of 1,200 full-time equivalent jobs, while contributing to the economic growth of the two target states. The AWEAF project will focus its interventions on four key sectors where women are economically active: agriculture, trade, services, and light manufacturing. Project activities will be carried out through the following three components: 1) Knowledge Generation and Capacity Development and Support for Business Competitiveness of WMSMEs; 2) Improved Access to Finance for WMSMEs; and 3) Project Management. The project cost is estimated at UA 10.74 million, of which AfDB is financing UA 9.97 (92,82%) from the Transition Support Facility Pillar I and the Government of Sudan will contribute UA 0.77 million (7,18%) of the total project cost. The project is expected to be implemented over five years (2020-2025).

2. Needs Assessment: Prior to COVID-19, female unemployment in Sudan stood already at 23.1% in 2019 compared to 9.3% for men. Women’s labor force participation is significantly lower than their male counterparts, with many women involved in home care, which are not reported as work. For those involved in the labor force, they are disproportionately in the informal economy, face higher working poverty rates than men, do not earn a decent income, and have no access to social protection due to the nature of their work. Women in Sudan therefore turn predominantly to entrepreneurship as a necessity versus opportunity to support their families. However, their businesses are smaller in size relative to men-led businesses, owing to limitations in raising financing. Similar to other African countries, their productivity is lowered by unequal access to land, access to markets, productivity inputs, and the need to balance between business and family/societal responsibilities. The proposed AWEAF project therefore aims to holistically accelerate women’s entrepreneurship by addressing policy, financial, and skills gaps in the ecosystem that are preventing women from growing their businesses. The Project is in line with the transition government’s priorities, which includes enhancing women’s rights and ensuring they are empowered economically, while contributing to peace. The Project will also contribute to the country’s COVID-19 recovery process to build back better its economy by supporting the private sector. By introducing catalytic financial instruments that will empower women entrepreneurs to borrow in Sudan, the banking and entrepreneurship system for women will be strengthened.

3. Bank’s Added Value: The Project is in line with the Bank’s Ten Year Strategy, particularly in its operational focus areas (private sector development) and the promotion of inclusive growth by offering support to women and men; the extended Human Capital Strategy for Africa (2014-2018, extended to 2020); the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019, extended to 2021); and the Jobs for Youth in Africa Strategy 2016-2025. The Project also complements the Bank’s existing portfolio of entrepreneurship development in Sudan by focusing on existing businesses, whereas the ENABLE Youth Project, focuses on youth start-ups and the Building Capacity for Inclusive Service Delivery (BCISD) Project supports rural microenterprises and cooperatives. By strengthening women’s potential as economic actors and leaders in entrepreneurship in Sudan the Project will contribute to (i) improving the policy framework and institutional capacity to support and improve women’s entrepreneurship; ii) accelerating women entrepreneurs’ access to quality business development services and to financing; and iii) improving the quality of financial services provided by financial institutions serving women entrepreneurs.

4. Knowledge Management: The Project will generate knowledge from the onset on women’s entrepreneurship and access to finance in Sudan that will not only serve the AWEAF project but other development partners as they also focus more on supporting women’s economic empowerment in the private sector. The Project will ensure knowledge transfer and that the quality of technical and business development services is enhanced by improving the programs and delivery capacity of providers.

RESULTS BASED LOGICAL FRAMEWORK

Country and project name: Accelerating Women Entrepreneurship and Access to Finance (AWEAF) Project						
Purpose of the project: To strengthen women's potential as economic actors and leaders in entrepreneurship in Sudan by addressing their capacity and financing needs.						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Baseline	Target (2025)		
IMPACT	Contribute to inclusive economic growth through women-led entrepreneurship development that promotes job creation and poverty reduction.	Income index ¹ in two states	0.696% (Khartoum – 2018) 0.537% (Red Sea – 2018)	0.730% (Khartoum – 2025) 0.564% (Red Sea – 2025)	Sudan Central Bureau of Statistics National Baseline Household Budget Survey Global Data Lab	<p>Risk 1: Macroeconomic and socioeconomic vulnerability that can cause business, currency, bank transfer, and market uncertainties. Mitigation 1: The MoFEP and IMF are putting in place strategies to improve the macroeconomic environment.</p> <p>Risk 2: International and national economic contraction caused by COVID-19 will exasperate the difficulty of doing business and reduce liquidity of financial institutions to on-led to businesses. Mitigation 2: Proposed financial instruments are based on the financial reality of the market and financial sector, ex: grants, wholesale credit, and guarantees to serve each segment.</p>
	Outcome 1: Women-led entrepreneurship contributes to job creation	Nbr of full-time equivalent jobs created by tier 1 “blazers” and tier 2 “igniters” MSMEs, disaggregated by age (youth) and sex	0 (2020)	1,200 (2025) - 25% held by young women (18-35)	Project completion report Central Bureau of Statistics	
OUTCOMES	Outcome 2: Women-led enterprises generate wealth	Increase in business revenue of tier 1 “blazers” and tier 2 ² “igniters” enterprises	Unknown for now – will be collected at baseline (2020)	10% increase from baseline (2025)	Project completion report Central Bank of Sudan Reports from MFIs and PFIs	<p>Risk 3: Weak business environment, rising input costs, and national market weaknesses lead to slow business growth and insufficient revenues to increase employment and production. Mitigation 3: Part of the capacity development for entrepreneurs and TA to Microfinance Institutions (MFIs) and Partner Financial Institutions (PFIs) in business development services provision includes best practices and mitigation strategies for businesses in volatile business environments.</p> <p>Risk 4: Delays by MFIs and PFIs to finance WMSMEs Mitigation 4: Performance contracts to be drawn up and a robust monitoring system of MFIs and PFIs to be established</p>
		Number of tier 1 “blazers” enterprises and tier 2 “igniters” enterprises that received funding	Unknown for now as banks do not disaggregate this data – will be collected at baseline (2020)	400 in addition to baseline ³ (2025)		
COMPONENT 1: KNOWLEDGE GENERATION AND CAPACITY DEVELOPMENT AND SUPPORT FOR BUSINESS COMPETITIVENESS OF WOMEN-LED ENTERPRISES						
Sub-Component 1.1: Knowledge Generation						
OUTPUTS	Output 1.1 Framework for assessing capacity building needs developed	Nbr of selection frameworks for tier 1 “blazers” and tier 2 “igniters” developed	0 (2020)	2 (2021)	Project Progress Reports Project Supervision Reports Midterm Report	
		Nbr of women entrepreneurship focused studies carried out	0 (2020)	1 (2021)		

¹ GNI per capita (2005 PPP International \$, using natural logarithm) expressed as an index using a minimum value of \$100 and a maximum value \$75,000.

² Tier 1 “Blazers”: Women enterprises: registered with a valid licence, operating a business for over 6 months; ability to borrow and repay back funding between USD 15,000 to USD 100,000.

Tier 2 “Igniters”: Women enterprises or women groups: registered with a valid licence, operating a business for over 6 months; ability to borrow and repay back funding between USD 1,000 and USD 14,000.

³ Based on assumption that 70% of the trained businesses will secure financing

	Sub-Component 1.2: Business development services and technical training for tier 1 “blazers” and tier 2 “igniters” enterprises.					
	Output 1.2: Business and technical capacity developed	Nbr of business development services curricula/training programme developed	0 (2020)	2 (2021)	Project Progress Reports Project Supervision Reports Midterm Report Training Reports	Risk 5: Quality of business and technical services is low and not relevant to improve capacity of women entrepreneurs Mitigation 5: An analysis of BDS providers and technical institutions will be carried out to select the best training partners. In addition, a firm will be competitively recruited to help develop a comprehensive training curricula/ programme. Risk 6: Insufficient number of tier 1 “blazers” businesses Mitigation 6: A robust pipeline of women businesses will be developed through PFIs, women business associations, and public calls for applications (including through social media platforms).
		Nbr of tier 2 “igniters” women entrepreneurs trained	0 (2020)	500 (2024) – 40% youth owned/led		
		Nbr of tier 1 “blazers” women entrepreneurs trained	0 (2020)	70 (2024)		
	COMPONENT 2: IMPROVED ACCESS TO FINANCE FOR WMSMEs					
	Sub-Component 2.1: Financing women-owned/led businesses through PFIs and MFIs					
	Output 2.1 Financing mechanism to improve WMSMEs’ access to affordable financing is established	Credit Enhancement Facility (CEF) rolled out	0 (2020)	1 (2022)	Project Progress Reports Project Supervision Reports Midterm Report Central Bank of Sudan Reports from MFIs and PFIs	Risk 7: Risk perception and unconscious biases of financial institutions to on lend to women-led entrepreneurs Mitigation 7: Component 2, where training, sensitisation, awareness raising of staff (especially credit officers), and establishment of women services desks.
		Total financing leveraged through the CEF	0 (2020)	EUR 6,380,000 (2025)		
		Total financing availed through concessional wholesale financing	0 (2020)	EUR 2,100,000 (2022)		
	Sub-Component 2.2: Repayable Grant Facility (RGF) to support emerging early stage or credit history nascent WMSMEs					
	Output 2.2 Repayable grant facility to financially support early stage or credit history nascent WMSMEs is established	Repayable grant facility established	0 (2020)	1 (2021)	Project Progress Reports Project Supervision Reports Midterm Report	
		Total financial volume of grants disbursed	0 (2020)	EUR 1,100,000 (2025)		
	Sub-Component 2.3: Technical assistance for financial institutions and microfinance institutions.					
	Output 2.3 Mechanisms for improving the quality of services provided by MFIs and PFIs are established	Nbr of women service desks established in MFIs	0 (2020)	6 (2023)	Project Progress Reports Project Supervision Reports Midterm Report Training Reports	
		Nbr of MFI and PFI credit officers trained	0 (2020)	12 (2023)		
		Management information system established in MFIs and PFIs	0 (2020)	6 (2022)		
	COMPONENT 3: PROJECT MANAGEMENT					
	Output 3.1 Project is regularly monitored, reported on, and audited on	Nbr of quarterly reports	0 (2020)	20 (2025)	Project Progress Reports Project Supervision Reports	Risk 8: Weak capacity of the PIU Mitigation 8: Capacity building training will be provided to the PIU. In addition, yearly fiduciary clinics to ensure capacity development will be carried out.
		Nbr of annual audit reports	0 (2020)	5 (2025)		
KEY ACTIVITIES	Components				Inputs	
	(i) Component 1: Knowledge Generation and Capacity Development and Support for Business Competitiveness of Women-led Enterprises – EUR 3 265 000				Project Cost: EUR 12 785 323	
	(ii) Component 2: Improved Access to Finance for WMSMEs – EUR 7 817 750				TSF Pillar I Grant: EUR 11 867 473	
	(iii) Component 3: Project Management – EUR 1 702 073				Counterpart funding: EUR 917 850	
					Overall total: EUR 12 785 323	

PROJECT TIME FRAME/IMPLEMENTATION SCHEDULE⁴

Year	2020		2021				2022				2023				2024				2025				2026		
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	
INITIAL ACTIVITIES																									
Project Appraisal																									
Project negotiations and approval																									
Signature of grant agreement																									
Conditions for 1st disbursement fulfilled																									
Recruit additional staff for PIU																									
Publication of the GPN																									
Launch of project																									
KNOWLEDGE GENERATION AND CAPACITY DEVELOPMENT AND SUPPORT FOR BUSINESS COMPETITIVENESS OF WOMEN-LED ENTERPRISES																									
Carry out sector specific market assessments in Khartoum and Red Sea																									
Carry out and publish national study on women's entrepreneurship and access to finance																									
Technical assistance for gendered inclusion of national MSME policy																									
Sign contracts with service providers to improve technical and BDS training																									
Assessment, selection, and demo equipment upgrade of technical training partners in Khartoum and Red Sea																									
Selection of BDS provider partners in Khartoum and Red Sea																									
Deliver training of trainers to technical and BDS training providers																									
Develop selection framework and committee for tier 1 "blazers" and tier 2 "igniters"																									
Selection and technical training of tier 1 "blazers" and tier 2 "igniters" WMSMEs																									
Selection and BDS training of tier 1 "blazers" and tier 2 "igniters" WMSMEs																									
Establish peer to peer support/coaching network for tier 2 WMSMEs																									
Peer coaching and mentoring of tier 2 "igniters" WMSMEs																									
Advisory for tier 1 "blazers" WMSMEs and technical assistance for access to markets																									
Advisory for select tier 2 "igniters" and technical assistance for access to markets																									
Fairs and exhibits																									
IMPROVED ACCESS TO FINANCE FOR WMSMEs																									
Financial analysis of PFIs and MFIs and establishment of CEF																									
Sign contract with CEF service manager and wholesale concessional funds manager																									
Selection of partner MFIs and PFIs																									
Design and establish repayable grant facility (RGF)																									
Sign contract with RGF service manager																									
Financing of WMSMEs through CEF and RGF																									
Deliver technical assistance for MFIs and PFIs (establish women service desks, capacity building of credit officers, and internal system enhancement)																									
PROJECT MANAGEMENT																									
Baseline Survey																									
Set of PIU in Khartoum and satellite office in Red Sea																									
Quarterly Progress Reports																									
Annual workplans and budgets																									
Annual financial audits																									
Mid-term review																									
Completion Report																									

⁴ 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 BOARD OF DIRECTORS ON A PROPOSED GRANT FOR THE ACCELERATING WOMEN'S ENTREPRENEURSHIP AND ACCESS TO FINANCE (AWEAF) PROJECT

Management submits the following Report and Recommendation on a proposed TSF Pillar I grant of UA 9.97 million to the Republic of the Sudan to finance the Accelerating Women's Entrepreneurship and Access to Finance (AWEAF) Project.

I – STRATEGIC THRUST & RATIONALE

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 Political stability is gradually being consolidated in Sudan following the establishment of the Transitional Government in September 2019. The Government is implementing reforms to improve the business environment, boost agriculture and livestock exports, and strengthen institutional and human capacities. The Accelerating Women's Entrepreneurship and Access to Finance (AWEAF) project is therefore in line with the political and socio-economic reforms under the Transitional Government for economic diversification to achieve inclusive growth, including enhancing women's rights and ensuring they are empowered economically, while contributing to peace. Likewise, the Project also aligns with Sudan's Twenty-Five Year National Strategy (2007–2031), which aims to “promote the private sector to enable it to become a leader in the society thereby reducing the role of the state”.

1.1.2 Though Sudan's medium-term National Development Plan (NDP) 2012-2016 elapsed and the authorities are preparing a full-fledged Poverty Reduction Strategy Paper (PRSP) 2020-2024 with support from the Bank, the PRSP, whose preparation is expected to be completed by December 2020, is anticipated to focus on accelerating inclusive growth and creation of gainful employment for Sudan's population, including youth and women. The project will therefore contribute toward the Transitional Government's objectives by identifying and supporting the accelerated growth of women entrepreneurs operating in key value-chains and with the potential to grow their businesses, while creating jobs for women and youth.

1.1.3 The Project is also in line with the Bank's operational priorities in Sudan as reflected in the Country Brief 2017-2019 (extended to 2021), particularly pillar II which focuses on supporting sustainable livelihoods and job creation to build resilience and reduce fragility. Though interventions have thus far focused on developing agricultural value chains to create remunerative jobs and sustainable livelihood opportunities, a key recommendation from the Country Brief for the coming years is that the Bank should step up its support to entrepreneurship and value chain development in the agriculture sector to create jobs for the majority of the population. Therefore, the AWEAF project through its focus on the agriculture sector (amongst others) and women will provide an opportunity for job creation and ensure inclusive growth through its focus on women-led/owned micro, small and medium enterprises (WMSMEs).

1.2. Rationale for Bank's Involvement

1.2.1 Prior to COVID-19, female unemployment in Sudan stood at 23.1% in 2019 compared to 9.3% for men. Women's labor force participation is significantly lower than men's, with many women involved in home production, which are not reported as work. For those involved in the labor force, they are disproportionately in the informal economy, face higher working poverty rates than men, do not earn a decent income, and have no access to social protection due to the nature of their work. It has been stated that global GDP would increase by over 20% if women played the same role in labor markets as men. This inevitably applies for Sudan as well, where women represent over half of the population but do not have access to the same opportunities to formally contribute to the country's economy. Women in Sudan therefore turn predominantly to entrepreneurship as a necessity versus opportunity to support their families. However, their businesses are smaller in size relative to men-led businesses,

owing to limitations in raising financing. Similar to other African countries, their productivity is lowered by unequal access to land, access to markets, productivity inputs, and the need to balance between business and family/societal responsibilities.

1.2.2 The proposed AWEAF project therefore aims to holistically accelerate women's entrepreneurship in Sudan by addressing policy, financial, and skills gaps in the ecosystem that are preventing women from growing their businesses. The Project will also contribute to the country's COVID-19 recovery process to build back better the economy by supporting the private sector. By introducing catalytic financial instruments that will break the glass ceiling of women entrepreneurs' ability to borrow in Sudan, the banking and entrepreneurship system for women will be strengthened. The Project also complements the Bank's existing portfolio of entrepreneurship development in Sudan, such as the ENABLE Youth Project, which focuses on youth start-ups and the Building Capacity for Inclusive Service Delivery (BCISD) Project, which supports rural microenterprises and farmer's groups.

1.2.3 While gender attitudes are changing and Sudan's Gender Inequality Index ranking has improved from 166 in 2013 to 139 in 2018, women in Sudan still do not have the same opportunities as men. Women still substantially fall behind their male counterparts in participating in middle- or high-income activities, 45% versus 76% and 53% versus 68%, respectively. In addition, women are disproportionately engaged in agriculture – which is still predominantly subsistence-based, rain-fed and characterized by low technology use and low wealth generation. Rain-fed agriculture sector is severely impacted by climate change with key impacts being reduced yields and high crop failures due to frequent and prolonged droughts, reduced rainfall, increased temperatures and high evapo-transpiration. Almost 60% of employed women are in agriculture versus their male counterparts at 38.4%, making them even more vulnerable to climate risks compared to their male counterparts. The Project aims to accelerate women entrepreneurship in agriculture, trade, services, and light manufacturing into middle- and high-income businesses. Accelerating women entrepreneurship in these sectors will therefore also contribute to building their resilience to climate change.

1.2.4 The Project is consistent with the Bank's Ten Year Strategy, particularly in its operational focus areas (private sector development) and the promotion of inclusive growth by offering support to women and men; the extended Human Capital Strategy for Africa (2014-2018, extended until 2021), which aims to address of youth and women unemployment and underemployment by tackling low productivity predominated by the informal sector, which employs many youth and women; the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019, extended to 2021); and the Jobs for Youth in Africa Strategy 2016-2025. The project will contribute towards the achievement of the High 5s, especially Improving the quality of life for the people of Africa, Industrialize Africa, and Feed Africa, through its focus on the agriculture sector – where women entrepreneurs are strongly active in Sudan – and the light manufacturing sector. Moreover, it aligns with the Bank's Private Sector Development Policy and Strategy (2013-2017, extended until 2020), particularly the strategic pillar of promoting local enterprise development in Africa. The Project further aligns with the Bank's commitment through the Affirmative Finance Action for Women in Africa (AFAWA) flagship program to bridge the USD 42 Billion financing gap for women on the continent and the Gender Equality Trust (GETF), whose objective is to contribute to improved gender equality, improved business enabling environment, and capacitated financial institutions to deliver gender responsive financing on the continent. The AWEAF project⁵ could benefit from AFAWA and GETF resources to support the business enabling environment for women entrepreneurs in Sudan through designing policies and new enacting policies to improve the entrepreneurship ecosystem. The Project is also in alignment with the ADF-15 strategic framework, specifically Pillar II – Governance, human and institutional delivery capacity for inclusive growth and job creation – and the target to embed gender equality in all its operations. The Project will accelerate

⁵ Through its Task Manager, the project will respond to the GETF call for proposals in order to access funding to support the enabling environment in Sudan.

gender equality and provide improved economic opportunities for women, while creating job opportunities for inclusive growth.

1.2.5 Though the Government of Sudan and development partners have over the years implemented strategies to support and scale entrepreneurship, key challenges remain in developing and promoting entrepreneurship as a means to curb unemployment and underemployment in the country. These include: a constraining enabling environment to start and grow a business; the lack of a micro, small, and medium enterprise (MSME) law and national body responsible for MSMEs; a limited strategy on how to engage, support, and transform the informal sector; the poor quality of business development services; and limited access to finance for women entrepreneurs. Thus, the Bank's intervention will help to scale women's access to finance while providing gender sensitive capacity building and establishing support structures (strengthening women business networks and mentorship opportunities). This will help women to successfully continue engaging in entrepreneurial activities, increasing their likelihood to create employment opportunities, while generating additional wealth for Sudan's economy.

1.3. Donor Coordination

1.3.1 Sudan has an aid coordination within the Foreign Finance General Directorate at the Ministry of Finance and Economic Planning is responsible for the aid coordination and harmonization in Sudan.. 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 Bank, Islamic Development Bank, and World Bank are leading on areas of financial governance, technical assistance, and infrastructure. The main framework for Donor coordination (DFID, EU, and Norway) 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 in order to strengthen aid coordination and harmonization.

1.3.2. For partners working on entrepreneurship, their focus for women entrepreneurs has been on capacity development of women in rural areas and those in fragility, targeting income generation, micro, and/or cooperative levels, while providing grants or savings group set-ups and management support. The women are primarily involved in agriculture production and crafts. The Project therefore complements the work of DPs by focusing on the next level/size of women entrepreneurs, improving the quality of capacity development programs by ensuring a holistic approach of technical and business development training, and by introducing financial instruments that are the next step to grants and savings. Though there is no formal arrangement for coordinating development partners' activities in the area of entrepreneurship, this concern was raised by DPs for increased coordination 1) amongst development partners working on skills, vocational, and entrepreneurship development through a technical working group and 2) with the private sector in order to complement, build, and leverage on each other's collective work and efforts when it comes to creating opportunities for entrepreneurs. The Project will ensure that the Bank's intervention will not in any way be a duplication, wholly or in part, of what other DPs are doing. Table 1.1 presents the main donor commitment amounts in the SME sector in Sudan.

Table 1.1: Donor Support to SME Sector⁶

Sector or subsector	Size			
	GDP	Exports (USD)	Labor Force (%)	
SME			6.4	
Players - Public Annual Expenditure (2019)				
Government	Donors			
0.35	159			
0.22	99.78			
Level of Donor Coordination				
Existence of Thematic Working Groups (this sector/sub-sector)			[N]	
Existence of SWAps or Integrated Sector Approaches			[N]	
ADB's Involvement in Donors Coordination			[N]	

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 goal of the AWEAF project is to strengthen women’s potential as economic actors and leaders in entrepreneurship in Sudan by addressing capacity, financing, and ecosystem knowledge gaps. The specific project objectives are to improve i) the policy framework and institutional capacity to support and improve women’s entrepreneurship; ii) women entrepreneurs’ access to quality business development services and to financing; and iii) the quality of financial services provided by financial institutions serving women entrepreneurs. 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 (EUR million) and % allocation	Component Description
1	Knowledge Generation and Capacity Development and Support for Business Competitiveness of Women-led Enterprises	3.27 (25.57%)	<p>Sub-component 1: Knowledge Generation</p> <ul style="list-style-type: none"> Carrying out market assessments in Khartoum and Red Sea to identify the opportunities for WMSMEs to grow and the establish the roadmap on which technical and BDS trainings should be based in order to support women in taking advantage of those opportunities; Conducting and publishing a national study on women's entrepreneurship and access to finance, highlighting current state of the sector, women's roles, opportunities, driving sectors for their growth, and needs to thrive – which will serve the AWEAF project and DPs; and Providing technical assistance during the drafting of the national MSME development policy to ensure a gendered lens and women’s inclusion. <p>Sub-component 2: Business development services and technical training for tier 1 “blazers” and tier 2 “igniters” enterprises</p> <ul style="list-style-type: none"> Selecting technical and BDS training partner providers in both states and carrying out programmatic and equipment needs assessment; Upgrading training centres of technical training partner providers with demonstration equipment; Strengthening technical training programs for target technical sectors of the AWEAF project – agriculture and light manufacturing, while ensuring inclusion of nutrition technical knowhow for relevant WMSMEs; Strengthening BDS training programs for target sectors of agriculture, trade, services, and light manufacturing;

⁶ There are obvious credibility issues with the data provided but this is the best that could be gathered from the MoFEP.

No	Component Name	Cost (EUR million) and % allocation	Component Description
			<ul style="list-style-type: none"> Delivering training of trainers to selected technical and BDS training partner providers; Developing selection framework of WMSMEs and selection committee, prioritising business linkages between tier 1 “blazers” and tier 2 “igniters” WMSMEs and businesses that provide food and nutrition relevant products and services as part of selection framework; Delivering technical and BDS training to 570 WMSMEs (70 tier 1 “blazers” and 500 tier 2 “igniters”); Providing post training advisory services to 35 tier 1 “blazers” WMSMEs and select 63 tier 2 “igniters” WMSMEs in light manufacturing; Establishing a peer to peer support/coaching network for 500 tier 2 “igniters” WMSMEs; and Providing access to markets and technical support through fairs/exhibits, standards certification, and women only market days.
2	Improved Access to Finance for WMSMEs	7.82 (61.14%)	<p>Sub-component 1: Financing Women-owned/led Businesses through PFIs and MFIs</p> <ul style="list-style-type: none"> Selecting PFIs to benefit from the credit enhancement facility (CEF) which will enable the qualified PFIs to extend financing to at least 50 tier 1 “blazers” WMSMEs. Selecting MFIs to roll out the confessional financing and extend loans with generous terms to at least 250 tier 2 WMSMEs. <p>Sub-component 2: Repayable Grant Facility (RGF) to support emerging early stage or credit history nascent WMSMEs</p> <ul style="list-style-type: none"> Selection of a service provider to implement the RGF Technical assistance to build and strengthen the capacity of the RGF service provider in hosting and managing the financing facility; and Financing of at least 100 women entrepreneur running start-ups or early stage companies <p>Sub-component 3: Technical assistance for financial institutions and microfinance institutions</p> <ul style="list-style-type: none"> Technical assistance for PFIs and MFIs in developing capacity building and training strategies; Establishing 6 women’s desks in partner MFIs in both states to provide pre and post investment support to women borrowers; Training 12 credit officers and relationship managers in partner MFI and PFI branches in Khartoum and Red Sea to analyse WMSMEs’ loan requests (improve capacity and knowledge on AWEAF target sectors) and provide gender-responsive financing; Capacity building of 12 PFIs and MFIs to improve their MIS, integrate CEF systems (including data collection), and in environmental and social performance standards policies when analysing request from WMSMEs.
3	Project management	1.70 (13.29%)	<ul style="list-style-type: none"> Set-up of 1 PIU office (staff hiring and equipment) and 1 satellite office; Coordination of project activities; Financial and administrative management; Procurement of goods and services day to day project activities and undertake supervision, monitoring, evaluation, reviews and reporting functions; Design and implementation communication plan; and Monitoring and evaluation, auditing, and reporting.
Total Project Cost		12.79 (100.0%)	

2.2. Technical Solutions Retained and Other Alternatives Explored

2.2.1 The design of the AWEAF project is consistent with the Bank's and DPs' programmatic evidence that entrepreneurship development projects need to be holistic in order to scale entrepreneurship amongst women and youth and to yield sustainable businesses. Therefore, the AWEAF project has adopted an integrated approach of complementary approaches that seek to address knowledge gaps and policy priorities to ensure they respond to the needs and challenges of WMSMEs, while introducing innovative financial instruments and facilities to challenge the financial sector's status quo of how women are perceived and served as borrowers. The unique feature of this Project is that the financial access component is structured to provide relevant financing in line with the stage, size, sophistication, and credit history of the various segments of WMSMEs targeted. In addition, taking lessons learned from the ENABLE Youth Sudan project, which has confirmed the need to have training that is both technical and business development oriented in order to effectively improve the capacity of entrepreneurs, the AWEAF project has also integrated both in its design.

Table 2.2: Alternatives Considered and Reasons for Rejection

No	Alternative Name	Brief Description	Reasons for Rejection
1.	Providing Lines of Credit to commercial banks as opposed to guarantees	Boost liquidity to Sudanese financial institutions to serve underserved segments, such as women and youth enterprises	Commercial Banks in Sudan, similar to other banks in Africa, perceive SMEs and WSMSEs as risky borrowers and tend to avoid lending to the segment. Instead of lines of credit the project is proposing guarantees to backstop risks of these banks and to incentivize them to lend to WSMSEs, as opposed to providing lines of credit.
2.	Project creates its own technical and BDS training program	The project to hire experts to design from the ground up its own technical and BDS training program	In addition to being costly this approach would have been time consuming while negating the contextual lessons learned and valuable experience from existing technical and BDS providers whose capacity could be built to provide improved training programs.
3.	Solely providing grants	The project to only provide grants to project participants	This would not lead to a catalytic change in the banking sector and challenge the status quo for WMSMEs to be seen as bankable nor would it be sufficient to meet the financing needs of tier 1 "blazers" WMSMEs.
4.	Leaving the choice of sectors open ended	The project initially decided to leave the choice of target sectors of the AWEAF project open ended and to be decided during the selection of project participants.	Though this was considered in order to ensure that project participants would be the best of the best who are ready to grow, due to time and cost limitations, this approach would not have yielded targeted, quality, and needs based technical training and BDS to improve the capacity of WMSMEs.
5.	Set-up of women market centers	To ensure that WMSMEs have a space where they can market their produce at a reduced operational cost and to a wider audience, the project sought to rehabilitate two buildings in each state into women's markets.	Due to project processing time limitations and E&S requirements, it was not possible to pursue this idea under the AWEAF.

2.3. Project Type

2.3.1 The AWEAF project is a capacity development project for women, whose Bank financing is a grant from TSF Pillar I.

2.4 Project Cost and Financing Arrangements

2.4.1 The project cost is estimated at EUR 12.79 million net of taxes and custom duties, based on August 2020 prices, comprising EUR 3.65 million or 28.54% in local costs and EUR 9.14 million or 71.46% in foreign costs. This cost is inclusive of price contingencies estimated at average rate of 5%. Financing of the project is expected from TSF Pillar I (EUR 11.87 million) and Government of Sudan (EUR 0.92 million). The Government contribution will cover value-added tax, programmatic costs (establishment of peer to peer support network and organizing fairs/exhibits), and general operational and setting up costs, including staff and drivers' costs, office spaces and furniture, and utilities. The summary of the project costs by components, category and source is indicated in the tables below.

Table 2.3: Summary of the project cost estimates by components

Components	EUR			Foreign (%)
	Local	Foreign	Total	
Component I: Knowledge Generation and Capacity Development and Support for Business Competitiveness of Women-led Enterprises	2 127 000	983 000	3 110 000	31.61
Component 2: Improved Access to Finance for Women Enterprises	115 000	7 640 000	7 755 000	98.52
Component 3: Project Management	1 279 500	388 450	1 667 950	23.29
Total Baseline Cost	3 521 500	9 011 450	12 532 950	71.90
Price Contingencies	126 800	125 573	252 373	49.76
Total Project Cost	3 648 300	9 137 023	12 785 323	71.46

Table 2.4: Project financing by source

Source	Amount EUR			% of Total
	Foreign	Local	Total	
TSF Pillar I Grant	9 042 523	2 824 950	11 867 473	92.82
Government	94 500	823 350	917 850	7.18
Total	9 137 023	3 648 300	12 785 323	100

Table 2.5: Project cost by category of expenditure per year (EUR)

Expenditure Account/Year	Year					Total
	2021	2022	2023	2024	2025	
Investment costs						
Goods	990 098	-	-	-	-	990 098
Services	904 480	1 200 654	766 406,55	578 917	282 817	3 733 275
Miscellaneous	8 925	4 571 400	71 400	2 071 400	44 625	6 767 750
Total Investment Costs	1 903 503	5 772 054	837 807	2 650 318	327 443	11 491 123
Recurrent costs						
Salaries and allowances	177 500	202 000	202 000	202 000	202 000	985 500
Operational costs	61 740	61 740	61 740	61 740	61 740	308 700
Total recurrent costs	239 240	263 740	263 740	263 740	263 740	1 294 200
Total Project Cost	2 142 743	6 035 794	1 101 547	2 914 058	591 183	12 785 323

Table 2.6: Project components by year (EUR)

Components/Year	Year					Total
	2021	2022	2023	2024	2025	
Component 1: Knowledge Generation and Capacity Development and Support for Business Competitiveness of Women-led Enterprises	1 235 388	637 749	582 288	571 200	238 875	3 265 500
Component 2: Improved Access to Finance for Women Enterprises	374 062,50	5 611 625	219 188	2 056 438	56 438	7 817 750
Component 3: Project Management	533 293	286 420	300 070	286 420	295 870	1 702 073
Total	2 142 743	6 035 794	1 101 546	2 914 058	591 183	12 785 323

2.4.2 Financing WMSMEs: A critical component of the AWEAF is to unlock access to finance for WMSMEs. The component aims to provide Sudanese financial intermediaries with various lending instruments to address the financing challenges of women enterprises. In order to address the financing challenges, the project proposes the following financing windows to provide a broader instruments and coverage of diverse businesses owned and led by women.

Credit Enhancement Windows

2.4.3 *Financing Window 1:* This window will provide a CEF support to de-risk a pool of partner financial institutions’ (PFIs) women borrowers portfolios. The CEF will be structured as a risk participation instrument to incentivise financial institutions to reduce the collateral requirements.

2.4.4 *Financing Window 2:* This window will provide concessional financing dedicated to support working capital and investment needs of WMSMEs. This dedicated window will be concessional and channelled through a pool of eligible micro finance institutions (MFIs) with extensive branch network throughout the country and/or committed to serve women entrepreneurs. The window is earmarked for women borrowers categorised as tier 2 “igniters” clients: 1) active in income-generating activities for at least 6 months; 2) registered; 3) requires funding between USD 1,000 to USD 15,000.

Repayable Grant Facility (RGF)

2.4.5 The RGF will provide a catalytical repayable grant to support the early stage and credit history nascent women owned/led enterprises. This allows the women entrepreneurs to boost their capital as well as purchase critical assets that will later become useful as a form of collateral when they approach commercial banks for longer-term financing.

2.4.6 More details of the financing instruments of the AWEAF Project are provided in Annex C2 (Technical Annexes).

2.5. Project Target Area and Population

2.5.1 The AWEAF project will be implemented in two states of Sudan: Khartoum State and Red Sea State. Khartoum state is the most populous state of Sudan and contains the state capital of Khartoum city, the target of the Project and its peri-rural areas. Most of the population, especially women, in the urban and peri-rural areas work in services, trade light manufacturing, and agriculture – the four target sectors of the Project. Red Sea state is located in the northeast of the Republic of the Sudan, with international borders to Egypt in the North, and Eritrea in the South. The Red Sea State is the only state in Sudan bordering the ocean and due to the economic opportunities in the capital state of Port Sudan – which handles the majority of the country's international trade – it is estimated that over 60% of the population live in the port city. Still, the state has the highest poverty rate in Sudan. Most of the population, especially women, in the urban and peri-rural areas work in services (tourism and restaurants), trade, and fishing. The Project will therefore target supporting WMSMEs in the aforementioned sectors and in Port Sudan and its surroundings.

2.5.2 The states were selected based on the criteria that women are already economically active in both areas, creating a conducive opportunity to help accelerate their growth. In addition, the availability of markets within the states and opportunity to access other markets was a key determining factor – Khartoum state is where the governmental and economic capital city is located, and Red Sea state is where the port city of Port Sudan is situated. Each region also has a strong presence of MFI and Financial Institutions (FIs) already with or willing to grow their WMSMEs lending portfolio. State level interventions will be focused based on each states’ economic sector comparative advantages. In Khartoum state, the priority will be mainly agriculture, light manufacturing and trade. While in Red Sea, the focus will be services and trade. Key priority opportunities in each sector will be better defined as part of the project kick-off market assessments. Project activities and interventions will be clustered in each state around the geographical presence of training and BDS providers and PFIs and MFIs to facilitate access of WMSMEs to the services.

2.5.3 The beneficiaries of the Project are solely women entrepreneurs, while focusing on youth – women between the ages of 18 and 35 years. The Project will directly provide technical and BDS training to 570 WMSMEs categorized in tier 1 “blazers” and tier 2 “igniters”, with each tier representing their stage, size, capacity to absorb a certain amount of funding, and therefore access a specific instrument or facility from the AWEAF project. Forty percent of the 500 targeted tier 2 “igniters” WMSMEs are expected to be youth owned/led. Overall, the 570 participating businesses are expected to create the equivalent of 1,200 full-time equivalent jobs, of which 25% will be held by youth between the ages of 18 and 35 years. The breakdown of expected number of WMSMEs trained, businesses to be funded, and jobs created are detailed in the Annex C1 (Technical Annexes). Additionally, the project will have an impact on Sudan’s financial sector by improving the capacity of six (6) MFIs and PFIs, the quality of services delivered to WMSMEs, management and information systems, and the type of innovative financial instruments and facilities to help in empowering women and proving the bankability of their businesses.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 The request for financing of this project came from the Government of Sudan and its components and activities were identified based on the participatory and consultative approaches at various stages: identification, preparation and appraisal (virtual). The program development process entailed extensive consultations with relevant stakeholders, including individual women entrepreneurs of various stages and sizes; women and men business associations; microfinance, financial and credit guarantee institutions (Bank of Khartoum, Irada, Ebdaa Bank, Family Bank, and United Capital Bank); technical training centers; and incubators and business development centers. Planning and design workshops were held in person and virtually with stakeholders and the Executing Agency (EA). Extensive consultations were conducted with senior government officials and technical staff of the Ministry of Finance and Economic Planning (MoFEP), Ministry of Labor and Social Development (MoLSD) Ministry of Agriculture (MoA), The Ministry of Animal Resources and Fisheries (MARF), and the Central Bank of Sudan. Development partners (UNIDO, ILO, IFAD, UNPA, USAID, UN Women, UNICEF, GIZ, DFID, and the Dutch Embassy) and entrepreneurship ecosystem actors were consulted individually and through roundtable discussions to ensure relevance and complementarity of the proposed AWEAF project. The discussions also considered all cross-cutting social issues and risks that may need to be mitigated through the program implementation process. The participatory process will continue throughout project implementation and through the Project Steering Committee (PSC) to ensure ownership and sustainability.

2.6.2 The in-country visits during the identification and preparation stages of the Project made it possible to grasp the context and needs, while establishing a rapport with key stakeholders to facilitate a virtual appraisal, due to the COVID-19 travel restrictions. These various visits and consultations highlighted the major challenges, opportunities, and weaknesses in women’s entrepreneurship at the

level of (i) policy and conducive environment; (ii) technical and business development services; (iii) market access; and (iv) accessing affordable financing.

2.7. Bank Group Experience and Lessons Reflected in Project Design

2.7.1 As of August 2020, the Bank's portfolio in Sudan is comprised of sixteen (16) operations in agriculture, education, health water and sanitation amounting to UA 337 million (approx. USD 473 million). 14 operations are grants in the public sector (about 65% in value), while two are loans for non-sovereign operations (about 35% in value). The portfolio is rated satisfactory. Some lessons learnt from implementing past and ongoing projects in Sudan have been considered to inform the design and implementation of the proposed AWEAF project. These include: (i) to incorporate capacity development support within the executing agencies both at national and state levels to ensure sustainability, even if there is high turnover, including carrying out regular fiduciary clinics; (ii) to design the cashflow arrangement by including currencies that would ensure timely receipt of the funds and therefore avoid delays experienced by previous and current projects; (iii) to carefully consider the country's current macroeconomic fragility, its current political transition and priorities, and while at a social level ensure adequate consultations with the intended beneficiaries; (iv) to build in buffers for inevitable delays in accessing the counterpart funding and; (v) launch early the process of identification, procurement, secondment, and designation of PIU staff, and launching the project soon after approval to ensure early training and clarification of procedures.

2.7.2 Overall, the portfolio implementation has faced several challenges, including the impact of the COVID-19 pandemic and the devaluation of the local currency (Sudanese Pound, SDG) against the major world currencies, leading to cost escalations for projects. The Bank continues to partner with the Government to address these challenges, including conducting fiduciary clinics for the staff in Project Implementation Units (PIUs), organizing weekly portfolio review meetings, and working closely with the Bank of Khartoum to facilitate the transfer of project funds. Overall the portfolio performance is satisfactory. 15 of the 16 ongoing projects are rated satisfactory. Only one project is rated as highly unsatisfactory mainly due to the delay in accessing funding which are exclusively disbursable in USD (GEF). However, the Bank and the Government have found a solution.

2.7.3 The Bank has one project in Sudan categorized as Category 1, signifying high gender impact. The remainder of the project portfolio fall either in Category 2 and 3, indicating that all projects have at least gender responsive outputs, if not outcomes as well. Lessons learnt from current and past gender focused projects include: (i) designing the project in line with the government mandate and strategies; (ii) the importance of consultations with a wide range of stakeholders representing different segments of women; (iii) providing opportunities for non-state actors to provide services aligned to their comparative advantage; and (iv) capacity development for the overall gender architecture to ensure oversight and sustainability.

2.7.4 In its design and the technical solutions retained, the Project has drawn lessons from other similar Bank operations in Sudan and on the continent. These include ENABLE Youth Sudan, Project to Support the Promotion of Employment for Youth and Women in Senegal, Good Governance and Women Economic Empowerment in Sudan, the Growth-Oriented Women Enterprises in Kenya, Youth and Women Empowerment Project in Zimbabwe the Project for the Economic Empowerment of Women in the Shea Butter Subsector in Mali, and the Africa SME Program. The lessons from these past projects have emphasized that entrepreneurship development needs to be approached holistically – supporting conducive policies and an enabling environment; providing market responsive and opportunistic capacity building that is also technical; and facilitating access to markets and finance. For the latter, since the financial needs of WMSMEs are diverse and require different instruments, projects need to be responsive to the varying needs of this heterogeneous group. Additionally, the design of this project is built upon successes and challenges of the GoS in implementing donor projects. Some of these include: i) start up delays, especially when a new or stand-alone PIU is to be established for a project's

implementation and ii) cost escalations due to the volatility of the local currency and for locally SDG denominated contracts that require to source items from outside Sudan. The lessons learned from the above-mentioned interventions are detailed in Annex B1 (Technical Annexes). The main lessons applied to the project 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.	Commercial banks reluctance to finance women entrepreneurs despite available liquidity provided by Bank projects and/or instruments	In order for WMSMEs to grow their businesses, create jobs and contribute to national wealth they need to access affordable and quality financing. Therefore, through the CEF, the AWEAF project aims to provide guarantees to PFIs to lend to women entrepreneurs based on a risk sharing scheme but also improved preparedness and capacity of the potential women borrowers.
2.	Weak credit appraisal by financial lending institutions due to lack of technical capacity in assessing businesses in non-traditional sectors and lack of experience of serving women clients	Technical assistance will be provided to MFIs and PFIs to build their capacity to assess, lend, advise, and track the performance of women borrowers across the target project sectors.
3.	Inadequate consultation with stakeholders designing project and budgeting	Components and activities under this project were designed, prepared and budgeted for with the full participation of all stakeholders, including government, women entrepreneurs/associations sector, commercial banks, training centers, microfinance institutions and development partners. Design workshops and roundtables were held throughout and detailed questionnaires submitted to all stakeholders during the virtual appraisal.
4.	Counterpart funding payment delays	Taking into consideration the GoS' budget constraints which have been exacerbated by COVID-19, the Project has agreed to the government counterpart funding also include in-kind contributions that will cover value-added tax, seconded qualified and experienced national staff (national coordinator, Khartoum State focal point, Red Sea State focal point, drivers, and office administration), office spaces, and utilities (electricity and water). Office spaces will be provided within the MoLSD and/or its directorate offices at state level.
5.	Currency fluctuations and delays in international transfers to special accounts	Currency used for this project is EUR to limit delays with special account transfers
6.	Weak procurement capacity and financial management capacity of Bank funded projects	The Bank will carry out an in-depth kick off workshop and regular annual fiduciary clinics to ensure strengthened capacity in procurement and financial management in AWEAF PIU.

2.8. Project Performance Indicators

2.8.1 The results-based logical framework outlines key project performance indicators. The development outcomes envisaged under the project are the creation of 1,200 of full-time equivalent jobs, of which 25% will be held by young women (18-35) and an increase in business revenue at an average of 10% for the participating WMSMEs. The main indicators defined for monitoring the project outputs are: (i) number of women entrepreneurship focused studies carried out; (ii) number of tier 2 “igniters” WMSMEs trained; (iii) number of tier 1 “blazers” WMSMEs trained; (iv) total financing leveraged through the CEF; (v) total financing availed through concessional wholesale financing; (vi) total financial volume of grants disbursed; (vii) number of women service desks established in MFIs; and (viii) number of MFI and PFI credit officers trained. The M&E specialist of the PIU will carry out internal project monitoring and evaluation in collaboration with the other PIU staff to monitor the performance of the project. Regular implementation progress will be measured through Quarterly Progress Reports and annual technical and financial audits. Disaggregated data will be captured at every level and where applicable. The overall effectiveness of the project at implementation will be monitored through the Bank’s bi-annual supervision missions (field and desk). The Mid-Term Review will be undertaken in year 3, while the Project Completion Report will be prepared during the 6-month project close out.

III – PROJECT FEASIBILITY

3.1. Economic and Financial Performance

3.1.1 An economic and financial assessment of the project was undertaken during appraisal to estimate the economic return to some of the expected activities in the project. The key assumptions underlying the analysis include: (i) successful project implementation will lead to business growth and access to finance for at least 400 out of the 570 businesses supported under the Project and lead to at least 1,200 full time equivalent jobs being created; (ii) a 15-year time period was used to measure the incremental benefits from the project; and (iii) the opportunity cost of capital (OCC) was estimated to be 10%. The summary of the financial and economic analysis is presented in table the table below.

Table 3.1: Key Economic and Financial Figures

NPV (base case @ 10 % cost of capital)	Euro 15.52 million
FIRR (base case @ 10 % cost of capital)	38%
EIRR (base case @ 10 % cost of capital)	39.4%

3.1.2 **Financial analysis:** Based on the above assumptions, a combined net financial impact yields a Net Present Value (NPV) of Euro 15.52 million with an internal rate of return of 38%. The project is financially feasible. The Financial Internal Rate of Return (FIRR) is 38%, close to three times higher than the opportunity cost of capital (10%). The economic analysis, based on the above assumptions, yielded an Economic Internal Rate of Return (EIRR) of 39.4%.

3.1.3 **Sensitivity analysis:** The results of financial and economic analyses are quite robust in the event of adverse changes from a successive increase in project costs, decrease in revenues by 20, 25 and 30% results are stable up to increase in cost and reduced revenues by 40%. The increase in project cost by 40% still has very little effect, as FIRR reduced slightly from 38% to 34%. The sensitivity analysis indicated that the reduction in revenues by 40% generate FIRR of 19%.

3.1.4 In real terms, the project will lead to many benefits. including job creation in the target population (women and youth in Khartoum and Red Sea States), increased agriculture and light manufacturing output, and wealth creation (increase in business revenue, tax contribution, and also employee incomes). The AWEAF project is financially and economically viable as it enhances women employability and increase their income and improve their livelihoods.

3.2. Environmental, Social and Climate Change Impacts: In line with the Bank’s Environmental and Social Assessment Procedures (ESAP), the Project is classified as Category 3 (no risk) and hence did not require the preparation of Environmental and Social Assessment Reports by the Government of the Republic of the Sudan. The validation of the category is based on the fact that the proposed project will focus solely on capacity building activities intended to increase women’s potential as economic actors and leaders in entrepreneurship in Sudan and will not engender any direct adverse environmental and social impacts. The project has also been screened for climate risks and evaluated as category 3 – meaning that the project is not vulnerable to climate risks. By addressing capacity, financing, and policy gaps affecting the growth of women-owned businesses, the Project will greatly contribute to the Government’s ongoing efforts to create jobs, reduce poverty and income inequality. In the long run, the positive social impacts will contribute towards improved standards of living, especially of the poor and vulnerable groups within the country. Although at this stage there are no envisaged direct negative environmental and social impacts resulting from the proposed project activities, there exists a knowledge gap among entrepreneurs and facilitators, such as financial government institutions, on how to account for environmental, social and climate change risks and effects when evaluating businesses.

Therefore, the project will, in its capacity building component, include content on Environment and Social Safeguards, and Climate Change aspects.

3.2.2 Gender Issues: Women economic empowerment in Sudan is hampered by several factors, including: i) the low level of skills and knowledge among women and ii) poor access to productive resources including land – which can serve as collateral, production inputs, technology, and financing. In post-conflict contexts, the economic empowerment of women greatly contributes to the effectiveness of peacebuilding and leads to improving the quality and social outcomes of economic recovery measures and policies, as well as to sustainable development.

3.2.3 The project is classified as Category 1 as per the Gender Marker System of the Bank as at impact level it aims to strengthen women’s potential as leaders in entrepreneurship in Sudan by addressing capacity, market and financing needs. The project takes a holistic approach to this effect as it targets (i) Knowledge Generation and Support for Capacity Development and Business Competitiveness for Women-led Enterprises and (ii) Improved Access to Finance for Women Enterprises. These two pillars were designed as a response to the data collected. Through activities of policy development support, technical capacity building and business development training for women, and by facilitating access to finance for women already in business, the AWEAF Project will support WMSMEs to create jobs and reduce poverty. In addition, to encourage the women to leverage from each other’s experiences and build a strong business support network, a peer to peer and mentoring process will be established as part of the Project.

3.2.4 Sudan scores 171 out of 191 economies according to the Doing Business Guide 2020; signalling the difficulty in starting a business. These are exacerbated for women; Women Business and the Law (2020) posits Sudan at 29.4 (a score of 100 means all things are equal by gender). Of course, this gendered difference has intersectionality with other factors such as socio-economic status, age, education and tribal background. Therefore, the project has differentiated businesses into Tier 1 “blazers” and Tier 2 “igniters” WMSMEs so that as much as possible no woman is left behind in the target groups. It will not only focus on the capital city but the Red Sea State, which has significant potential but has not received this type of assistance in the past. Through affirmative action to correct market inefficiencies in women’s access to finance, markets, and information, this project will also target men in order to ensure an enabling environment and eliminate gender-based harassment and unconscious exclusion.

3.2.5 Social and economic importance: The AWEAF project will bring forth positive social and economic benefits in the target regions – creating jobs and reducing poverty, while challenging empowering women as great businesspeople, just as their male counterparts. The benefits will include among others: (i) enhanced employment opportunities; (ii) increased agribusiness and manufacturing enterprises; (iii) improved incomes for women and youth; (iv) improved living standards; (v) improved national income through increased exports; and (vi) improved industrialization through processing and value addition.

3.2.6 Climate Change Screening: Sudan has witnessed several changes in its climate over the decades. Temperatures increased by 0.2°C to 0.4°C per decade between 1960 and 2009, while rainfall has reduced and become more erratic. Sudan’s Second National Communication indicated that temperatures were 0.8-1.6°C warmer in the 2000-2009 than the 1960-1969 period. Projections show that Sudan will experience temperature increase of between 0.5°C and 3°C by 2050, with more extreme temperature rises in the North.⁷ These climate changes have had adverse impacts of various sectors. The frequent droughts continue to threaten the 19 million hectares of rain-fed mechanized and traditional farming and pastoralism that provide livelihood to over 70 percent of the population through reduced pasture and water

⁷ USAID Climate Change Risk Profile for Sudan 2016
<https://www.climatelinks.org/sites/default/files/asset/document/2016%20CRM%20Fact%20Sheet-%20Sudan.pdf>

availability for livestock. Reduced and erratic rainfall results in poor crop yield and losses for farmers. The combination of these impacts results in reduced food and nutrition insecurity and loss of livelihoods. Reduced water and pasture availability due to climate change increases competition for resources, leading to conflicts and further perpetuating fragility. Women – who are the target of the proposed project – are usually the most affected by the highlighted climate impacts since they constitute the majority of small-scale and agricultural labor and suffer the most from resource conflicts. Against this climate vulnerability context, the proposed Project was screened for climate risks and evaluated as Category 3 – see Annex B8 (Technical Annexes).

3.2.7 Being a Category 3, the project is not directly vulnerable to climate risk. However, it will have beneficial outcomes for climate resilience in the target states in two ways. First, by facilitating women’s access to finance under Component 2 and, secondly, by building their business skills under sub-component 1.2, the project will foster women’s resilience to climate shocks as it will build their capacity to engage in alternative employment and agri-business activities – which are key strategies for coping with crop and livestock failures from extreme climate events. Capacity building will also enhance women’s access to markets, which will cushion them from post-harvest losses, as well as facilitate their access to improved technologies.

3.2.8 GHG Accounting and Reporting: None of the activities of the project has direct impacts on greenhouse gas emissions.

3.2.9 Contribution to Climate Finance: As noted in 3.2.8 above, sub-component 1.2 and component 2 of the project will foster women’s resilience to climate shocks. As such, 30% of the project cost is allocated as climate finance.

3.3 Fragility and Resilience: The AWEAF project by seeking to improve i) the policy framework and institutional capacity to support and improve women’s entrepreneurship; ii) women entrepreneurs’ access to quality business development services and to financing; and iii) the quality of financial services provided by financial institutions serving women entrepreneurs, addresses one important driver of fragility in the country, namely, the limited access to land and assets ownership by women.

Fragility sensitiveness analysis:

Drivers of fragility concerned	Proposed intervention by the project to address the drivers of fragility
Limited access to land and assets ownership by women	<ul style="list-style-type: none"> • Providing access to markets and technical support through fairs/exhibits, standards certification, and women only market days. • Selecting PFIs to benefit from the credit enhancement facility (CEF) which will enable the qualified PFIs to extend financing to at least 50 tier 1 “blazers” WSMEs. • Selecting MFIs to roll out the confessional financing and extend loans with generous terms to at least 250 tier 2 WMSMEs.

In conclusion, the project is responsive and sensitive to the fragility context in Sudan (to the extent of the link between its activities and the identified driver of fragility).

IV – IMPLEMENTATION

4.1. Implementation Arrangements

4.1.1 The AWEAF project will be implemented over a period of 5 years. The Ministry of Labor and Social Development (MoLSD) will be the Executing Agency (EA), senior qualified staff from the MoLSD and relevant state ministries will be seconded to the PIU (national coordinator, Khartoum State focal point, Red Sea State focal point, drivers, and office administration) to implement the Project and will be supported by additional technical staff, recruited for the PIU on a competitive basis by a call for applications and who will have the necessary qualifications for their expected role within the Project.

The Project will have one PIU – a fully staffed one in Khartoum (Coordinator, Khartoum State Focal Point, Procurement Specialist, Project Accountant/Finance Officer, M&E Specialist, Gender/Training Specialist, Credit Officer, and Driver) and a satellite one in Red Sea (Red Sea State Focal Point and Driver). A multi-sector Project Steering Committee (PSC) will be set up and chaired by the MoLSD and will meet every quarter. The PSC will be responsible for project oversight, overall policy guidance, strategic direction, review and approval of work plans, and budgets. The composition of the PSC will be the Ministry of Finance and Economic Planning; the Ministry of Agriculture; Ministry of Trade; Ministry of Industry; Central Bank (Microfinance and Capacity Building Units); Women Associations; and representatives from participating beneficiary states.

4.1.2 A governance and reporting structure between the service providers of the CEF (Tayseer), wholesale financing provider (SMDC), and the RGF service provider and the PIU will be established, allowing also for oversight of the MoLSD. On the technical and BDS training side, partnerships will be established with technical training centers and BDS providers based in both target regions.

4.1.3 Procurement Arrangements: Procurement of goods 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 and following the provisions stated in the Financing Agreement. Procurement would be carried out following **Bank Procurement Methods and Procedures (BPMPs)**, using the relevant Bank Standard or Model Solicitation Documents (SDs) and review procedures.

4.1.4 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 output have informed the decisions on the procurement regimes applicable for specific transactions or groups of similar transactions under the project. The Procurement Technical Annex B5 provides details of the analysis and recommendations on the procurement arrangement for the project.

4.1.5 Financial Management and External Audit: An assessment of the Ministry of Labour and Social Development (MoLSD) Financial Management System was carried out by the Bank in order to establish whether it has the capacity to carry out the financial management (FM) of the above-named project. The financial management (FM) assessment was carried out in accordance with the Bank’s FM Manual and Implementation Guidelines-2014. The MoLSD complies with the Government Financial and Accounting Procedures Act 2007 and Regulations of 2011, which generally comply with acceptable International Standards of Accounting and will apply to the Project. This will include the Project being included in the internal audit plan and audited regularly by the internal auditors from the Internal Audit Chamber (IAC).

4.1.6 The FM Assessment observed the following challenges also persistent in some ongoing projects (i) capacity gap in the financial management system in terms of staffing and accounting system being unable to accommodate project activities at category/component level and monitor budget activities; (ii) the volatile exchange rate fluctuation against foreign currency, which significantly affect the cash flows of local contractors whose contracts are in Sudanese Pounds; (iii) reluctance by some corresponding banks to remit US dollars to Sudan; (iv) exemption of VAT payable by Project to the Contractors or timely availability of counterpart funds to pay the Taxation Chamber. The proposed mitigation measures include the recruitment, competitively, of a Project accountant/Finance Officer with qualifications and experience acceptable to the Bank, in addition to the Chamber of Accounts seconding an assistant Project Accountant with the aim of building capacity of government staff.

4.1.7 The Project will i) acquire the Final Solution accounting system, which is working well with other ongoing projects, like the BCISD. Furthermore, the Project will ii) prepare the Project Implementation

Manual and adapt the Financial and Administrative manual that is being currently used by the BCISD project. (iii) All contracts to be in foreign currency and consideration for payment rate at the time of payment to minimize inconvenience for local contractors. (iv) The contractors/suppliers should be encouraged to contract in Euros while the Government is continuing with its effort to resolve the matter. (v) The Government should expedite the exemption of VAT payable by the Project or budget and provide timely counterpart funds to minimize slow execution of the Project.

4.1.8 The Project will prepare quarterly reports and submit them to the Bank within 45 days after the end of each quarter. The Supreme Audit Institution, the National Audit Chamber (NAC) or private audit firm appointed with the involvement of the NAC in accordance to the terms of reference approved by the Bank, will audit the project annual financial statements. 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 financial year. The cost of 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 the NAC, no audit fees are payable, but on exceptional circumstances, reimbursable expenses like per-diem for staff and transportation can be paid.

4.1.9 The result of the assessment indicates overall risk rating of substantial. In conclusion the proposed FM arrangement, including mitigation measures, meet the Bank's minimum requirements for project financial management and therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project required by the Bank.

4.1.10 Disbursement Arrangement: The direct payment and special account/revolving fund methods will apply to the project to pay for eligible activities. The other two methods also described in the Disbursement Handbook may be used when necessary with prior approval from the Bank. The Bank will issue a disbursement letter stipulating key disbursement procedures and requirements. The GoS will open a special account in foreign currency and an operating account in local currency at bank(s) acceptable to the Bank.

4.2. Monitoring

4.2.1 The AWEAF project will be monitored using KPIs at input, output, impact and outcome levels reflected in the RBLF. Overall responsibility for M&E will rest with the Project PIU, who will put in place an adequate M&E system and monitor all the activities and prepare periodic reports, highlighting implementation progress, fiduciary and procurement status, stakeholder participation, risks and mitigation measures. The PIU will prepare quarterly progress reports. The monitoring will ensure data is by age at every level. The project will make use of national data sets (e.g. National Statistics Office, Youth employment statistics, Household surveys) and Project reports whenever possible. The Bank through the East Africa Regional Development & Business Delivery Office and the Sudan country office will closely monitor day-to-day implementation of the program and will carry out at least two (2) supervision missions (in country or virtually) annually, including FM and procurement assessments reviews. In addition, the Bank will also carry out a mid-term review of the program and a program completion report will be prepared at the end of the program.

Activity	Responsible Entity	Timeframe
Appraisal	ADF	August 2020
Negotiations	Government/ADF	November 2020
Project Approval	ADF	December 2020
Signature of Grant Agreement and effectiveness	Government/ADF	December 2020
Fulfilment of 1 st Disbursement Conditions	ADF	January 2021
Project Launching	ADF/ Government/ PIU	February 2021
Service Delivery	PIU/Service providers	March 2021/ December 2025
Mid-term Review	ADF/Government/PIU	June 2023
Completion Report	ADF/ Government/ PIU	January 2026
Auditing	Government/ PIU	Annually

4.3. Governance

4.3.1 Sudan is undergoing a political transition following the removal from power of the previous Government by the military in April 2019 due to countrywide demonstrations. The demonstrations were fueled largely by the population's dissatisfaction with harsh economic conditions, poor accountability and weaknesses in the rule of law. The Ibrahim Index of African Governance reported a deterioration in Sudan's scores on political participation, democratic elections, freedom of association and assembly during 2015-2018. Sudan features in the bottom half of the rankings (out of 54 African countries) on each of these indicators. Despite the political uncertainties, the country has been relatively secure but with few incidences of injuries and loss of lives during the 2018-2019 demonstrations. After the removal of the National Congress Party (NCP) Government, a Transitional Military Council (TMC) was formed to stabilize and govern the country from April to August 2019. The TMC was subsequently replaced with the Sovereign Council (SC) in August 2019 and the latter will lead Sudan for 39 months on a rotational military and civilian leadership basis. The new Government has been tasked with addressing the socio-economic crisis, especially fuel and bread shortages, high inflation and lack of job opportunities. The new Government maintains that Sudan is now a country that upholds democracy, rule of law, freedom of speech and inclusive growth.

4.3.2 The permanent lifting of the US-imposed "economic sanctions" in October 2017 is a key development that was expected to accelerate the removal of political sanctions. The Government is engaging the international community to ensure that the remaining economic and political sanctions are removed to enable the country to access debt relief and other development financing. It is in this context that accelerating technical work on debt relief remains imperative and the Bank is offering technical assistance to support this process. However, tangible progress in debt relief discussions is expected since Sudan has been removed from the United States (US) State Sponsor of Terrorism List (SSTL). In this context, the Prime Minister has led the dialogue with the US Government to accelerate Sudan's removal from the SSTL.

4.3.3 The main governance issues for the project are related to contracting and bidding processes of the EA vis-à-vis the Bank's procurement rules and procedures. To build institutional capacity and ensure the effective implementation of the AWEAF project, the Bank will carry out fiduciary clinics every year to ensure strengthened procurement and contract management capacity. The Project PIU will also (i) use standard bidding documents and procedures of the Bank; (ii) develop a financial management manual to guide Project staff; (iii) regularly submit progress reports; and (iv) have qualified and experienced national staff seconded to the project and recruited. The Bank will also ensure that the PIU is trained on Bank requirements and guidelines during the Project launching. Supervision missions and audits will monitor adherence to Bank standards and procedures to ensure value for money is achieved. During annual fiduciary clinics, the Bank's Ethics and Integrity & Anti-corruption unit will provide in depth training to the project implementation units.

4.3.4 Rationale for Accessing FST Pillar I Resources: Sudan’s eligibility to TSF Pillar I under ADF-15 was approved by the Boards of Directors in June 2020. Even though Sudan is in arrears status, the Transition Government of Sudan has made notable progress and continued to demonstrate strong commitment towards arrears clearance. The removal from the SSTL will help Sudan to embark on debt forgiveness with both the Paris and Non-Paris Club members and in parallel allow the International Financial Institutions (IFIs) to help Sudan ascend the Highly Indebted Poor Countries (HIPC) Initiative. More details on the rationale for the Republic of the Sudan accessing TSF Pillar I resources are provided in Appendix 6.

4.4. Sustainability

4.4.1 The AWEAF project’s focus is on establishing and introducing instruments, facilities, and programmatic measures that will enhance the quality of services provided to women entrepreneurs during and long after the Project. Financial institutions will be equipped with the knowhow, systems, and financing support to expand their lending to a segment of clients typically underserved and considered nonbankable. While, technical training and BDS providers will see their programming improved to meet the needs and opportunities of their entrepreneur clients, including having their staff trained. The enhanced quality services, instruments and facilities will continue to serve women entrepreneurs in the long-term. In addition, capacity building of the PIU on planning, delivery, and monitoring of women entrepreneurship programming will provide the necessary knowledge, experience, and ownership for successfully managing a women focused entrepreneurship program beyond the Project lifespan. Another key area of the Project is the focus on knowledge generation and policy development support, whereas the Project will be anchored in a conducive environment for MSME and WMSME entrepreneurship to thrive. Research on the national state of entrepreneurship for women entrepreneurs and their access to finance will also help to drive the Project’s activities but also the work of the GoS and DPs as it relates to women’s economic and entrepreneurship development.

4.4.2 Stakeholder consultations undertaken during the identification, preparation and appraisal (virtual) confirmed the commitment of the GoS and the financial sector. The ownership of the project shall be maintained through the PSC comprised of key stakeholders who are committed to seeing women’s entrepreneurship thrive in the long run in Sudan and to contribute to the country’s inclusive growth. The GoS’ objective under the Project is consistent with their overarching vision for economic diversification to achieve inclusive growth, including enhancing women’s rights and ensuring they are empowered economically, while contributing to peace.

4.5 Risk Management

4.5.1 The high foreign exchange variability in Sudan is a serious risk to the Project. The country’s already delicate macroeconomic has been exacerbated by COVID-19, further disrupting financing flows to the economy. Since 2018, the SDG has depreciated by over 100% against the US Dollar. The cost of doing business is high for many businesses in export dependent value-chains and/or activities requiring the import of inputs or materials. If the macro environment remains as is and financial stability is not attained, the Project outcomes could be put at risk. Mitigating these risks, the Ministry of Finance and Economic Planning is working closely with the International Monetary Fund (IMF) to come up with an appropriate fiscal framework and potential buffers to bring stability to Sudan’s high inflation and currency volatility issues. In addition, the AfDB is closely monitoring the situation and has regular dialogue meetings with the Government.

4.5.2 Like in many other African countries, COVID-19 has impacted financial institutions in Sudan and the majority of commercial banks and micro finance institutions are faced with difficulties of customers not able to repay existing debts, hence increasing non-performing loans. The impact of COVID-19 further contributed to some liquidity challenges as banks are not in the position to lend at a larger scale and businesses are also borrowing less as a result of lockdown restrictions and insufficient cash flows.

The proposed CEF, concessional wholesale financing and RGF will be timely to help address these issues in the financial sector.

4.5.3 The main project risks are outlined in the RBLF. These include among others:

Risk	Rating	Proposed Mitigation Measure
Macroeconomic and socioeconomic vulnerability that can cause business, currency, bank transfer, and market uncertainties.	HIGH	The MoFEP and IMF are putting in place strategies to improve the macroeconomic environment.
International and national economic contraction caused by COVID-19 will exasperate the difficulty of doing business and reduce liquidity of financial institutions to on-led to businesses.	HIGH	Proposed financial instruments are based on the financial reality of the market and financial sector, ex: grants, wholesale credit, and guarantees to serve each segment.
Weak business environment, rising input costs, and national market weaknesses lead to slow business growth and insufficient revenues to increase employment and production.	MEDIUM	Part of the capacity development for entrepreneurs and TA to Microfinance Institutions (MFIs) and Partner Financial Institutions (PFIs) in business development services provision includes best practices and mitigation strategies for businesses in volatile business environments.
Delays by MFIs and PFIs to finance WMSMEs.	MEDIUM	Performance contracts to be drawn up and a robust monitoring system of MFIs and PFIs to be established
Quality of business and technical services is low and not relevant to improve the capacity of women entrepreneurs.	MEDIUM	An analysis of BDS providers and technical institutions will be carried out to select the best training partners. In addition, a firm will be competitively recruited to help develop a comprehensive training curricula/ programme.
Insufficient number of tier 1 “blazers” businesses	MEDIUM	A robust pipeline of women businesses will be developed through PFIs, women business associations, and public calls for applications (including through social media platforms).
Risk perception and unconscious biases of financial institutions to on lend to women-led entrepreneurs	MEDIUM	Component 2, where training, sensitisation, awareness raising of staff (especially credit officers), and establishment of women services desks.
Weak capacity of the PIU	LOW	Capacity building training will be provided to the PIU, including yearly fiduciary clinics. In addition, Final Solution accounting system will be acquired and qualified technical staff recruited for the PIU on a competitive basis.

4.6 Knowledge Building

4.6.1 The Project will generate critical knowledge for holistically supporting women entrepreneurship in the country, which will build up lessons for the design and management of similar interventions, to be scaled in other states, as well as in other RMCs. In line with Knowledge Management Strategy 2015-2020, the knowledge obtained will be captured through regular supervision, progress reporting and mid-term review, and as part of program completion report (PCR) preparation process, documented and shared within the Bank and with other DPs and RMCs. Given that the program covers two different states with varying opportunities and targets two tiers of WMSMEs, there is potential to generate useful lessons.

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 for an amount of UA 9.97 million (the “Grant Agreement”), to be entered into between the Republic of the Sudan (the “Recipient”) and the Bank and the Fund (the “Fund”) as Administrators of the TSF (the “Protocol of Agreement”).

5.2. Conditions associated with the Fund's intervention

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

The Protocol of 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 conditional upon the entry into force of the Protocol of Agreement and the fulfilment by the Recipient, in form and substance satisfactory to the Fund, of the following condition:

- (i) The submission of evidence of the recruitment or designation of staff for the Project Implementation Unit with qualifications and terms of reference acceptable to the Fund, as follows: (i) Project coordinator; (ii) Khartoum State focal point; (iii) Red Sea State focal point; (iv) Procurement officer; (v) Finance officer; (vi) Monitoring and evaluation officer; (vii) Gender and training officer; and (viii) Credit officer.

Other Condition:

The Recipient shall provide evidence, in form and substance satisfactory to the Fund, of the fulfilment of the following condition:

- (i) The opening a designated foreign exchange Special Account and a designated local currency Special Account in a banking institution acceptable to the Bank, for the deposit of the proceeds of the grant.

C. Undertakings:

The Recipient undertakes the following:

- (i) To make available and on time all counterpart contributions for project implementation;
- (ii) To maintain close communication and coordination with federal and state line ministries to advance effective implementation of the project and to maximize its benefits;
- (iii) To carry out the project in accordance with: (a) Bank's rules and procedures; (b) national legislation; and (c) the recommendations;
- (iv) To deliver to the Bank project quarterly reports and any other reports in form and substance acceptable to the Bank;
- (v) To cause the establishment of a multi-sectoral Project Steering Committee (PSC) responsible for inter alia Project oversight, policy guidance, strategic direction, and review and approval of work plans and budgets. The PSC will be chaired by the Ministry of Labour and Social Development and will include representatives from among others: (i) Ministry of Finance and Economic Planning; (ii) Ministry of Agriculture; (iii) Ministry of Trade; (iv) Ministry of Industry; (v) Microfinance and Capacity Building Units of the Central Bank; (vi) Women Associations; and (vii) participating beneficiary States;
- (vi) To cause implementation of measures to mitigate financial risks associated with Project implementation including inter alia: (i) competitive recruitment of a project accountant/finance officer; (ii) acquisition of the Final Solution accounting system; (iii) preparation of a project implementation manual; and (ii) adoption of administration and financial manual;
- (vii) To select competitively and based on experience and set criteria financial service providers responsible for hosting and administering the CEF and RGF; and
- (viii) To cause the PIU to establish a governance and reporting structure with the service providers to which permits oversight by the Executing Agency; and
- (ix) To establish partnerships with appropriate technical centres and BDS providers based in both target regions.

5.3. Compliance with Bank Policies

5.3.1 This project complies with all applicable Bank policies.

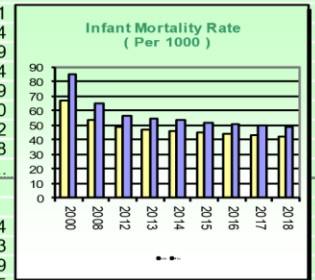
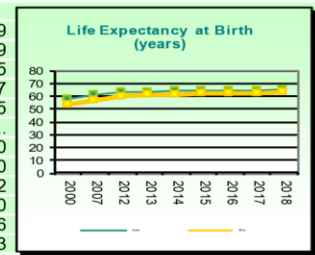
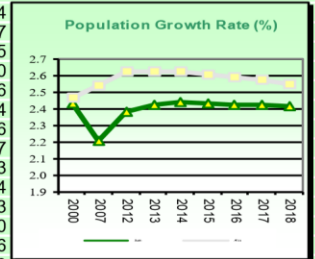
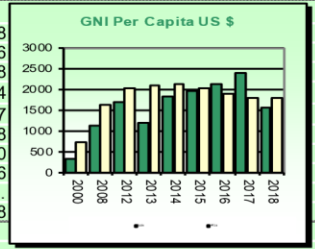
VI – RECOMMENDATION

6.1 Management recommends that the Boards of Directors:

- (i) Waive the requirement for the Republic of the Sudan to satisfy all the eligibility criteria stipulated in paragraphs 3.14 and 3.20 of the TSF Operational Guidelines concerning access to the resources of the TSF Supplemental Support Window (Pillar I) and permit the Republic of the Sudan to exceptionally receive financing from TSF Pillar I for the Accelerating Women’s Entrepreneurship and Access to Finance (AWEAF) project; and;
- (ii) Approve a TSF Pillar I Grant of UA 9.97 million to the Republic of the Sudan for the purposes, and subject to the terms and 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)	2018	1,879	6,232	30,067	94,808
Total Population (millions)	2018	41.8	356.3	1,274.2	6,306.6
Urban Population (% of Total)	2018	34.4	27.2	42.9	49.8
Population Density (per Km ²)	2018	22.2	61.1	43.4	68.4
GNI per Capita (US \$)	2018	1 560	975	1 783	4 837
Labor Force Participation *- Total (%)	2018	47.2	72.1	63.5	61.8
Labor Force Participation **- Female (%)	2018	24.5	65.0	54.6	47.0
Sex Ratio (per 100 female)	2018	99.8	99.3	99.8	100.6
Human Develop. Index (Rank among 189 countries)	2017	167	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-17	14.9	34.5	31.2	11.8
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.4	2.7	2.5	1.3
Population Growth Rate - Urban (%)	2018	3.2	4.6	3.6	2.4
Population < 15 years (%)	2018	40.5	42.2	40.8	27.7
Population 15-24 years (%)	2018	20.3	20.6	19.3	16.5
Population >= 65 years (%)	2018	3.6	2.9	3.4	7.0
Dependency Ratio (%)	2018	78.9	82.4	79.2	54.6
Female Population 15-49 years (% of total population)	2018	24.2	24.2	24.1	25.4
Life Expectancy at Birth - Total (years)	2018	65.1	64.8	63.2	70.6
Life Expectancy at Birth - Female (years)	2018	66.9	66.8	65.0	72.7
Crude Birth Rate (per 1,000)	2018	32.2	33.8	33.5	20.3
Crude Death Rate (per 1,000)	2018	7.2	6.8	8.1	7.4
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)	2018	4.4	4.4	4.4	2.6
Maternal Mortality Rate (per 100,000)	2017	295.0	433.9	432.3	230.0
Women Using Contraception (%)	2018	16.2	40.3	38.5	61.6
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-16	41.0	13.8	33.6	119.9
Nurses and midwives (per 100,000 people)	2010-16	83.0	80.5	123.3	233.9
Births attended by Trained Health Personnel (%)	2010-17	77.5	55.4	61.7	78.5
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 Populat	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)	2016	82.0	121.5	221.7	157.0
Child Immunization Against Tuberculosis (%)	2018	88.0	86.7	81.4	85.0
Child Immunization Against Measles (%)	2018	88.0	78.9	76.1	85.2
Underweight Children (% of children under 5 years)	2010-16	33.0	20.1	17.5	15.0
Prevalence of stunting	2010-16	38.2	35.1	34.0	24.6
Prevalence of undernourishment (% of pop.)	2017	20.1	27.2	18.5	12.3
Current health expenditure (% of GDP)	2016	5.7	4.9	5.3	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-18	76.8	97.9	100.1	104.1
Primary School - Female	2010-18	74.4	96.1	98.0	104.4
Secondary School - Total	2010-18	46.6	35.8	52.8	71.9
Secondary School - Female	2010-18	47.0	35.8	50.6	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
Gouvenment expenditure on Education (% of GDP)	2010-17	...	3.3	4.3	...
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	...	20.2	8.7	11.4
Agricultural Land (as % of land area)	2016	...	86.0	41.8	38.3
Forest (As % of Land Area)	2016	...	37.2	23.1	31.9
Per Capita CO2 Emissions (metric tons)	2013	0.3	0.1	1.2	3.5



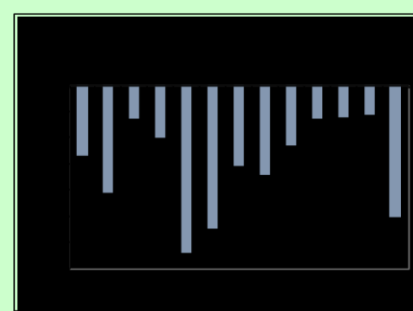
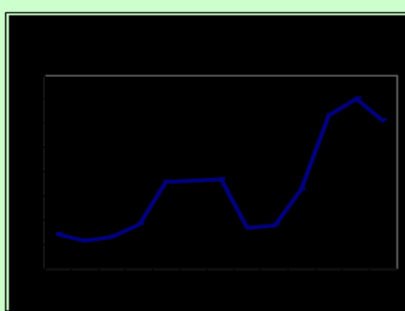
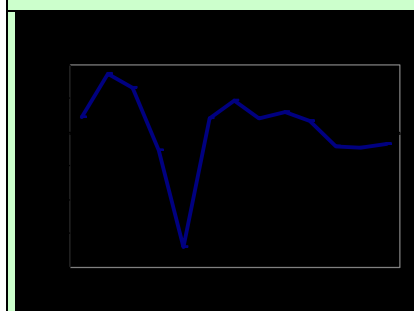
Sources : AfDB Statistics Department Databases; World Bank; World Development Indicators;

last update : November 2019

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Appendix 2: Sudan – Selected Macroeconomic Indicators

Indicators	Unit	2010	2015	2016 ▼	2017 ▼	2018	2019 (e)	2020 (p)
National Accounts								
GNI at Current Prices	Million US \$	43,527	77,028	84,875	97,544	65,210	...	...
GNI per Capita	US\$	1,260	1,980	2,130	2,390	1,560	...	...
GDP at Current Prices	Million US \$	69,665	65,266	55,563	45,944	34,282	41,533	40,829
GDP at 2010 Constant prices	Million US \$	69,665	61,111	62,906	63,952	62,528	60,998	60,020
Real GDP Growth Rate	%	6.5	1.9	2.9	1.7	-2.1	-2.3	-1.8
Real per Capita GDP Growth Rate	%	4.2	-0.5	0.5	-0.7	-4.5	-4.8	-3.9
Gross Domestic Investment	% GDP	21.7	13.0	13.5	13.0	16.0	13.8	15.8
Public Investment	% GDP	16.5	1.8	2.5	2.4	2.9	2.4	3.0
Private Investment	% GDP	5.1	11.2	11.0	10.6	13.1	11.4	12.8
Gross National Savings	% GDP	20.1	4.4	5.1	8.9	15.3	17.2	15.3
Prices and Money								
Inflation (CPI)	%	13.0	16.9	17.8	32.4	63.3	70.3	61.5
Exchange Rate (Annual Average)	local currency/US\$	2.6	7.8	11.5	18.1	39.7	65.2	95.5
Monetary Growth (M2)	%	26.2	20.1	27.3	41.4	51.3	...	...
Money and Quasi Money as % of GDP	%	27.3	25.2	25.8	27.9	25.8	...	...
Government Finance								
Total Revenue and Grants	% GDP	18.2	8.4	7.1	7.2	7.5	6.9	6.2
Total Expenditure and Net Lending	% GDP	17.9	12.2	11.5	13.7	15.1	12.6	16.1
Overall Deficit (-) / Surplus (+)	% GDP	0.3	-3.8	-4.4	-6.5	-7.7	-5.7	-9.9
External Sector								
Exports Volume Growth (Goods)	%	6.4	-0.6	-1.4	10.1	-17.9	-20.4	4.0
Imports Volume Growth (Goods)	%	5.4	25.3	-9.3	7.4	-19.3	-3.2	0.2
Terms of Trade Growth	%	32.0	-15.0	2.8	17.6	-2.8	7.3	6.7
Current Account Balance	Million US \$	-1,768	-5,461	-4,213	-4,611	-4,679	-3,258	-4,123
Current Account Balance	% GDP	-2.5	-8.4	-4.7	-10.0	-13.6	-7.8	-10.1
External Reserves	months of imports	1.7	0.2	0.3	0.2	...	...	...
Debt and Financial Flows								
Debt Service	% exports	3.3	8.0	3.4	3.3	4.3	5.2	4.8
External Debt	% GDP	60.1	77.0	94.8	117.4	160.9	182.6	171.0
Net Total Financial Flows	Million US \$	2,140	879	1,284	860	...	...	...
Net Official Development Assistance	Million US \$	2,026	900	811	840	...	...	...
Net Foreign Direct Investment	Million US \$	2,064	1,728	1,064	1,065	1,136	...	...



Source : AfDB Statistics Department: African; IMF: World Economic Outlook, October 2019 and International Financial Statistics, October 2019; Department: Development Data Portal Database, January 2020. United Nations: OECD, Reporting System Division.

AfDB Statistics

Appendix 3: AfDB's Active Portfolio in Sudan (as of August 2020)

	Long Name	Source of Funds	Approval date	Closing date	Amount (UA) Million	Amount (USD) Million	Disbur. Ratio
1a	Enable Youth Sudan	TSF-Pillar I	11/28/16	6/30/22	1.750	2.537	51.88
1b	Enable Youth Sudan	TSF-Pillar I	11/28/16	6/30/22	27.580	38.612	55.46
2a	Agricultural Value Chain Development project	TSF-Pillar I/PBA/FAPA	6/6/18	12/31/23	5.600	7.840	2.29
2b	Agricultural Value Chain Development project	TSF-Pillar I/PBA/FAPA	6/6/18	12/31/23	34.930	48.902	2.92
3a	DAL group CO LTD (food and agricultural investment programme)	Private sector	12/13/18	3/14/25	39.799	39.799	100
3b	DAL group co ltd(food and Agricultural Investment Programme)	Private sector	12/13/08	3/14/25	35.052	35.052	100
4a	ELNEFEIDI Group	Private sector	12/16/19	12/31/25	60.480	0	0.00
4b	ELNEFEIDI Group	Private sector	1/15/2020	12/31/25	30.240	0	0.00
5a	Water Sector Reforms and Institutional Capacity Development	RWSS	9/9/2015	12/31/2021	0.934	1.3076	97.59
5b	Water Sector Reforms and Institutional Capacity Development	TSF-Pillar I	9/9/2015	12/31/2021	21.0	29.4	40.05
6	Institutional Capacity Development for Improved Access to water	TSF-Pillar I	10/23/2017	12/31/2022	21.0	29.4	3.91
7a	sustainable Rural Water Supply and Sanitation project in northern Kordofan	TSF-Pillar I	10/9/2019	12/31/2024	30.987	43.381	0.37
7b	sustainable Rural Water Supply and Sanitation project in northern Kordofan	RWSS	10/9/2019	12/31/2024	1.402	1.962	0.83
8a	Solar (pv) Powered pumping system (desert-to-power initiative)	TSF-Pillar I	12/18/2019	12/31/2025	0.372	0	0.00
8b	Solar (pv) powered pumping system (desert-to-power initiative)	TSF-Pillar I	12/18/2019	12/31/2025	19.787	0	0.00
9	Emergency assistance to White Nile state 2018	SRF-Special Relief Fund	9/6/2018	12/31/2020	0.994	0	0.00
10	Improving Health Access and Systems Strengthening project (s	TSF-Pillar I	1/11/2018	12/31/2022	28.070	39.298	13.18
11	Capacity Building for Improved Quality of the Education syst	TSF-Pillar III	5/20/2015	12/31/2021	21.420	29.988	43.46
12	Building Capacity for Inclusive Service Delivery (BCISD)	PBA 50%	3/25/2015	12/31/2021	39.186	54.860	44.73
13	Policy Support to Preparation for Debt Relief	TSF-Pillar I	1/12/2018	12/30/2021	0.924	1.2936	30.89
14 a	Sudan Drought Resilience and Sustainable Livelihoods in the Horn of Africa	TSF-Pillar I/RO	6/17/2015	12/31/2021	14.0	19.6	12.10
14 b	Sudan Drought Resilience and Sustainable Livelihoods in the Horn of Africa	TSF-Pillar I/RO	11/26/2014	6/30/2023	14.0	19.6	39.80
14 c	Sudan Drought Resilience and Sustainable Livelihoods in the Horn	TSF-Pillar I/RO	11/26/2014	6/30/2023	13.821	19.349	13.62
15	Rural Livelihoods' Adaptation to Climate Change in the horn	GEF	12/15/2017	4/30/2022	7.046	9.864	25.37
16	Technical Assistance & CB to the Preparation of full Poverty	TSF-Pillar III	7/3/2013	3/30/2021	2.762	3.866	92.30
	Total				473,142,428	146,781,936	31%

Appendix 5: Fragility Report

This brief report analyses drivers of fragility and resilience in Sudan with the view of informing the design of the AWEAF project in Sudan. It builds on the findings of the 2019 CRFA (Country Resilience and Fragility Assessment) and the main 2020 Sudan fragility and resilience draft report.

At the core of fragility in Sudan; lies a previously autocratic regime, weak economic governance framework, weak rule of law and justice system, and weak economic performance as summarized in the table below:

Legitimate politics	Social	Economic	Environmental	Justice and Security
<ul style="list-style-type: none"> • Political uncertainty • Limited public services delivery • Imbalanced territorial allocation of resources • US sanctions 	<ul style="list-style-type: none"> • Limited social cohesion • Religion, ethnic, and tribal based conflicts • High youth unemployment (24%) • High migration; • Limited access to land and assets ownership by women 	<ul style="list-style-type: none"> • Dependence and concentration on oil production and exports • High debt and arrears • Limited social and economic infrastructure penetration 	<ul style="list-style-type: none"> • Limited capacity to cope with extreme climate change events (drought, desertification, deforestation and floods) 	<ul style="list-style-type: none"> • Imbalanced access to justice

Legitimate politics

Political instability prevailed in Sudan throughout the sixty years of national independence that began in 1956. The country has witnessed three military coups that set up authoritarian regimes that ruled for 48 years. The democratic periods lasted for a total of only fifteen years. Another feature of Sudan's instability is the civil wars that have continued since independence, except for eleven years of peace, from 1972 to 1983. Sudanese political crises have manifested themselves through coups, wars, economic decline, administrative chaos, and weak economic governance⁸.

Instability may be explained by the lack of the ability to reach consensus, to find compromise. The elites that have long been in power often resorted to military coup as a remedy to political disagreements, or military solutions as a remedy to the demands of marginalized areas, such as the south and Darfur.

In April 2019, the revolution overthrew the Government, which gave room for the establishment of a Transitional Military Council (TMC) from April to August 2019. The TMC was replaced with the Sovereign Council (SC) in August 2019 and the latter will lead Sudan for 39 months on a rotational military and civilian headship basis.

Security

Sudan was largely controlled by the military and security services under former President Omar al-Bashir. The power-sharing deal signed in August 2019 between the military and the opposition coalition increases the likelihood of successful peace negotiations between the transitional authority and Sudanese armed groups. This is aimed to reduce the likelihood of attacks targeting government buildings and security forces, especially in conflict areas of Darfur, Blue Nile and South Kordofan.

⁸ <https://www.garda.com/crisis24/country-reports/sudan>

From the signing of a recent peace agreement, progress towards peace has taken place in Darfur region. However, the region now requires recovery and development support, while ensuring this support addresses the needs and priorities of women.

Justice

The Sudanese legal system is a mixed system that includes Islamic law as well as the traditions of the British common law. The demand of the Muslim Brotherhood has been that the country's laws be based on Islam led to the formation of a special committee during the rule of Nimeiri that was charged with reviewing laws to make them consistent with the Sharia. Stoning, flogging, crucifixion, and amputation remain legal punishments in Sudan. This has been viewed by many human rights groups as violation of human rights and dignity. After the Comprehensive Peace Agreement with the SPLM in 2005, Islamic laws no longer applied to the south, since the secession of South Sudan, while it remained applied in the North (i.e. the current Sudan).

Economic and Social Inclusiveness

Sudan suffered a major setback after the secession of South Sudan. The country's GDP is still heavily based on the oil revenue. Oil fields became under South Sudan's jurisdiction after the secession. Most of the agricultural land is in the southern part of the country yet Sudan has a large area of arable land which is unexploited. The country is also in a food insecure state.

The country continues to face insecurity at both personal, agriculture and food level. The severe droughts lead to starvation and poor health of the people of Sudan. This leads to them relying mostly on aid food as imported food is expensive to afford. The endemic of high corruption whereby the country was ranked 172 out of 180 on the Corruption Perception Index by Transparency International makes the business environment to thrive poorly and services to be expensive. The high levels of unemployment especially among the youth is a great loss as there are a lot of opportunities in the countries such as the mining sector of gold and oil, the vast arable lands as mentioned earlier, and the reduction of sanctions by the western countries which will enable flow of money which will create opportunities for the youth thereby improving living standards of people. The lack of infrastructure such as water supply, electricity connections, tarmacked roads, equipped health care facilities and functional schools have led people to be left out from the basic services the government needs to provide.

Women lack adequate access to education, better health care and inclusiveness in the policy formation networks.

Externalities and Spillover Effect

Sudan has witnessed drastic political change as a result of a December 2018 popular revolution which overthrew the former regime. The Transitional Civilian Government which has been announced in September 2019 and led by His Excellency, Dr Abdalla Hamdok is working hard towards reengaging the international community, as well as to remove the political and security legacy which have negatively affected the country.

The sanction imposed on Sudan by the US Government since the 1990s have impacted Sudan's economy, whereby banking correspondence transfers, trade, and FDI flows has been restricted for years as international banks do not operate in Sudan. In addition, state development programs and the private sector were largely unable to get spare parts for things like aero planes or vital health equipment. This slowed the growth and advancement in the health sector and other heavy industries, such as airlines and the military.

The country has been under autocratic rule for almost three decades which has led to a spillover effect to the neighboring countries. The internal armed conflict and violence against civilians has led to many Sudanese seeking refuge in other countries and to internal displacement.

Sudan is going through a definite time of transition in long journey towards peace, freedom and equity. The transitional Government continues to face numerous challenges as it strives to meet the expectations of its population.

The COVID-19 pandemic has affected all aspects of lives of the Sudanese and presents a new challenge for human capital. The Transitional Government is focused on securing support and funding from development partners to strengthen the health system and expand quality education to each and every child in the country.

The Transitional Government is currently working closely with the International Monetary Fund (IMF) and the World Bank to carry out economic reforms under a Staff Monitored Program (SMP), which aims at stabilizing the economy and improving the economic environment. However, these reforms will have negative consequences on the most vulnerable people. Therefore, Sudan is expecting support from AfDB and other partners to help mitigate the impacts from such measures, especially on women and people in remote areas by enhancing their livelihood opportunities in order to be more resilient to shocks and the impact of the reforms.

Environment and Climate Change

The country lies on the Sahara and Sub-Saharan region which faces a lot of strong climatic shocks. The arid region hinders growth of crops and this makes the country food insecure. The country has no projects going on to stop the spread of the desert as each year the desert is increasing its size. Climate change, combined with increased water consumption driven by agricultural development and population growth, could contribute to a water crisis for Sudan, particularly in the desert north. With half of Sudan's population living on only 15 percent of the country's land area, all near the Nile River, water resources are extremely important to Sudan's continued economic development and social cohesion. The erratic rainfall causes the country to depend on the Nile which will also lose the volume of water as the completion of the Grand Renaissance dam in Ethiopia approaches.

Overcoming Fragility in Sudan

The transitional government of Sudan is controlled by the civilian government and the Transitional Sovereign Council. The several protests over months were as a result of high cost of living and the deterioration of economy. The rise in living costs forced the removal of President Bashir. The democratic transition began in July 2019 and will last for 39 months before elections are organized for a democratically elected government.

The AWEAF project by seeking to improve i) the policy framework and institutional capacity to support and improve women's entrepreneurship; ii) women entrepreneurs' access to quality business development services and to financing; and iii) the quality of financial services provided by financial institutions serving women entrepreneurs, addresses one important driver of fragility in the country, namely, the limited access to land and assets ownership by women.

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Appendix 6: Rationale for Accessing TSF Pillar I Resources

Request for approval of Sudan to access TSF Supplementary Support Window (Pillar I) – UA 9.97 million for exceptional support for the “Accelerating Women Entrepreneurship and Access to Finance (AWEAF) Project”.

INTRODUCTION

Sudan’s eligibility to TSF Pillar I under ADF-15 was approved by the Boards of Directors in June 2020. However, given the arrears status of the country, the approval required Sudan to access the resources on a project by project basis after demonstrating a firm commitment towards regularizing its debt situation.

The Transition Government of Sudan has made notable progress and has continued to demonstrate strong commitment towards arrears clearance as described below:

1. Reaching an agreement with the Bank regarding its arrears clearance program, which should be reflected in the country programming document in the form of clearly defined milestones and performance benchmarks:

Progress made with arrears clearance

The process of removing Sudan from the State Sponsor of Terrorism List (SSTL) was initiated by the US on October 23, 2020 when the US President informed Congress of the removal of Sudan from that list. The Congress has within 45 days to object, in line with US procedures. It is generally expected that Congress will not object. This was after the Transitional Government in Sudan paid USD335m compensation to the US for the 1998 bombings of US Embassies in Kenya and Tanzania by Al-Qaeda. This will help Sudan to embark on debt forgiveness with both the Paris and Non-Paris Club members and in parallel allow the International Financial Institutions (IFIs) to help Sudan ascend the Highly Indebted Poor Countries (HIPC) Initiative.

Consequently, IFIs and Bilateral Creditors are already envisaging progress in Sudan’s debt relief process and therefore, different options of debt forgiveness are being reviewed by IFIs and other creditors.

Getting to the “Decision Point” by Sudan under the HIPC process will entail the following:

- i) Reform Track Record: Establishing a satisfactory track record of strong policy performance under IMF- and World Bank-supported programs.

The IMF and the Sudanese authorities have agreed on a Staff Monitored Program (SMP) which will support the government’s home-grown program of reforms aimed at stabilizing the economy, improving competitiveness, and strengthening governance. It is meant to ensure macroeconomic stability and contribute to poverty alleviation. The IMF said that the SMP is designed to meet the Upper-Credit Tranche Conditionality to enable Sudan to access debt relief.

- ii) Poverty Strategy: Preparing a satisfactory (full or interim) Poverty Reduction Strategy Paper (PRSP) involving civil society participation.

The Bank is financing the PRSP which is already at advanced stage. Its completion was hindered by the COVID 19 pandemic as the Consultant was a victim and could not finalize the paper. However, it is hoped that this document will be finalized by 1st quarter of 2021.

The Bank is also funding the update to Sudan’s External Debt Relief and Arrears Clearance Strategy. This will help the government come up with a strategy to resolve external debt with the Paris and Non-Paris club members.

- iii) Arrears clearance: Clear arrears to the IMF, the World Bank and the African Development Bank (AfDB) prior to decision point and prepare a plan to clear arrears to the remaining external multilateral creditors.

Currently Sudan and Zimbabwe are eligible for the Transition Support Facility (TSF) Pillar II resources for the purpose of arrears clearance. A total of UA 390.51 million is available in the account to be applied on a 1st-come, 1st-served basis. Sudan's total arrears to the Bank (ADB and ADF) as at October 15, 2020 amounted to about UA 276.67 million. There are enough resources to offset Sudan arrears with the Bank, assuming it is ready before Zimbabwe.

2. Making at least token arrears clearance payments to the Bank

Commitment to continue making token payments

The Government has a program of token payments to the Bank since 2003, which has initially started with USD 0.5 million per month. From the year 2013, the government agreed to pay USD 125,000 starting March 2013 as the result of extreme difficulties to get foreign exchange following the secession of South Sudan. According to these arrangements, the Government has paid to the Bank a total of USD 20 million. However, the government informed the Bank that due to shrink in oil resources, after South Sudan secession, reduction of oil prices and the economic sanctions; the Government became constrained to meet the monthly commitment. This is mainly due to virtual non availability of foreign exchange reserves to make good obligations to all institutions, including the Bank, IMF and the World Bank.

The Transitional Government has however expressed strong commitment to resume this token payment, then the country got hit with not only COVID 19 pandemic but also locust invasion and flooding, the worst in 25 years. Discussions are ongoing to agree on when this regime will soon resume.

3. Having a coordinated arrears clearance program with other partners, particularly the Bretton Woods Institutions

Coordinated approach to arrears clearance with other development partners

The Government of Sudan has kicked-start discussion on debt forgiveness with external debtors, immediately after the recommendation by the US President to remove Sudan from the SSDL. On its part, the Bank has taken the lead in coordinating the IFIs for arrears clearance and has already convened a round table meeting with the World Bank and IMF. The multilateral Round table meetings shall be held at least every month. Each development partner has committed to support Sudan in the arrears clearance and to identify Debt Champion, Bridge Financiers and probably a donor that will cover the 1% token payment by Sudan, in the case of the Bank.

The IFIs have agreed to continue to work together and with other donors and government of Sudan to help get Sudan clear its arrears and ascend the HIPC Initiative by mid-2021.

CONCLUSION

The government of Sudan has made and continues to make efforts to stabilize the political and economic situation of the country. It is critical that the technical and financial partners of Sudan make additional efforts to support these efforts and thus enable the country to seize all the opportunities that present themselves to succeed. The Bank should therefore play its part, as a preferred and privileged broker on the continent, by being the pillar of this change envisaged by the Sudanese authorities.

The country has demonstrated a willingness to engage with the International Financial Community and in particular the Bank, by ensuring token payment of its debt to the Bank, despite a particularly difficult

economic environment characterized by the drying up of foreign currencies as a result of economic sanctions, and the particularly harmful effects of the COVID-19 pandemic on its economy. For the first time in a very long time, donors have expressed the possibility of working together to clear Sudan's arrears.

Finally, the AWEAF project is an operation geared towards the empowerment of women in a country where decades of discriminatory policies against women have generally worsened discrimination within the family, restricted the physical integrity of Sudanese women, limited their access to productive and financial resources, and hampered their civil liberties. Women carried the revolution which led to the fall of the former regime El Bashir by raising themselves to the forefront of the protest in order to give themselves opportunities to play a role in the future of their country.

The AWAEF project contributes greatly to this ambition through activities that help to strengthen their potential as economic actors and leaders in entrepreneurship by addressing capacity, financing, and ecosystem knowledge gaps on the one hand, and improving the policy framework and institutional capacity to support and improve women's entrepreneurship on the other hand. The economic empowerment of women provided through this project in a post-conflict/crisis context as Sudan has the potential to greatly contribute to the effectiveness of peace building and will lead to the improvement of the quality and social outcomes of economic recovery measures and policies, as well as to the sustainable development of women in Sudan.

RECOMMENDATION

Management recommends that the Boards of Directors:

- (i) Waive the requirement for the Republic of Sudan to satisfy all the eligibility criteria stipulated in paragraph 3.20 of the TSF Operational Guidelines concerning exceptional support to the resources of the TSF Supplemental Support Window (Pillar I) and permit the Republic of Sudan to exceptionally receive financing from TSF Pillar I for the Accelerating Women's Entrepreneurship and Access to Finance (AWEAF) project; and;
- (ii) Approve a TSF Pillar I Grant of UA 9.97 million to the Republic of the Sudan for the purposes, and subject to the terms and conditions, stipulated in this report.

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)¹

A. Basic Information

Project Title: Accelerating Women Entrepreneurship and Access to Finance (AWEAF) Project		Project SAP code: P-SD-ID0-004
Country: Sudan	Lending Instrument²: DI <input type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input checked="" type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>	
Project Sector: Human Capital, Youth and Skills Development		Task Team Leader: Josephine NDAO
Appraisal date: August 10, 2020	Estimated Approval Date: 11 th December 2020	
Environmental safeguards Officer: XXX	Social safeguards Officer: A. R. MUJA	
Environmental and Social Category: 3	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	[Date]	
Date of receipt, by the Bank, of the authorization to disclose	[Date]	
Date of disclosure by the Bank	[Date]	
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	[Date]	
Date of receipt, by the Bank, of the authorization to disclose	[Date]	
Date of disclosure by the Bank	[Date]	
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	[Date]	
Date of receipt, by the Bank, of the authorization to disclose	[Date]	
Date of disclosure by the Bank	[Date]	
If in-country disclosure of any of the above documents is not expected, 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 checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input 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

Prepared by:	Name	Signature	Date
Environmental Safeguards Officer:	-		-
Social Safeguards Officer:	A, R MUJA		15/10/2020
Task Team Leader:	Josephine NDAO		15/10/2020
Submitted by:			
Sector Director:	Martha PHIRI	<i>Martha Phiri</i>	23/10/2020
Cleared by:			
Director SNSC:	Maman-Sani ISSA	<i>Maman-Sani Issa</i>	23/10/2020

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.