

AFRICAN DEVELOPMENT BANK GROUP



PROJECT: AFRICA DISASTER RISK FINANCING (ADRFi) PROGRAMME

COUNTRY: THE REPUBLIC OF THE SUDAN

PROJECT APPRAISAL REPORT

Date: June 2021

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AFRICAN DEVELOPMENT BANK GROUP



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AFRICA DISASTER RISK FINANCING (ADriFi) PROGRAMME

RDGE/AHFR/AHAI/PGCL DEPARTMENTS

July 2021

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Currency Equivalents

March 2021

UA 1.00	=	SDG 544.74
UA 1.00	=	USD 1.41
UA 1.00	=	EUR 1.21
USD 1.00	=	SDG 374.49
EUR 1.00	=	SDG 446.12

Fiscal Year

1 January – 31 December

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

LIST OF ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
AU	African Union
ADRFi	Africa Disaster Risk Finance
ARC	African Risk Capacity
CIFA	Country Integrated Fiduciary Assessment
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CB	Country Brief
CSS	Climate Screening System
CP	Contingency Plan
DRR	Disaster Risk Reduction
EU	European Union
EWS	Early Warning Systems
ESIA	Environmental and Social Impact Assessment
FAO	Food and Agriculture Organization
FCDO	Foreign, Commonwealth & Development Office
FM	Financial Management
HCER	Higher Council of Environment
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IFRS	International Financial Reporting Standard
IIAG	Ibrahim Index of African Governance
ILO	International Labour Organisation
MDAs	Ministries, Departments and Agencies
MoFEP	Ministry of Finance and Economic Planning
MDF	Multi-Donor Trust Fund
NAC	National Audit Chamber
NCCD	National Council for Civil Defense
NDCs	Nationally Determined Contributions
NDP	National Development Plan
PAR	Project Appraisal Report
PFM	Public Financial Management
PMU	Project Management Unit
PSC	Project Steering Committee
RIMA	Resilience Index Measurement and Analysis
RMCs	Regional Member Countries
RMU	Risk Management Unit
SDG	Sudanese Pound
SDGs	Sustainable Development Goals
TSF	Transition Support Facility Pillar I
TWG	Technical Working Group
WB	World Bank
WFP	World Food Programme

GRANT INFORMATION

Client's information

RECIPIENT: Republic of the Sudan

EXECUTING AGENCY: Ministry of Finance and Economic Planning

Financing Plan

Source	Amount	Instrument
ADF 15 (PBA)	UA 3.66 m	Grant
TSF Pillar I	UA 2.34 m	Grant
ADRFi MDTF	UA 0.53 m	Grant
ARC	UA 0.90 m	In-kind Contribution
GOV	UA 1.70 m	In-kind and Cash Contribution to premium payment
TOTAL COST	UA 9.13 m	

Timeframe - Main Milestones (expected)

Project approval	June 2021
Effectiveness	2021
Project Launching	2022
Mid-Term Review	June 2024
Closing Date	December 2026
Last Disbursement	April 2027

PROJECT SUMMARY

Project overview: The Africa Disaster Risk Financing (ADRFi) Programme (Sudan) will enhance the resilience and response to climate shocks in Sudan by improving the management of climate disaster risks. This will be done through an integrated approach to managing disasters that will cushion the government from the financial impacts of episodes of drought and foster sovereign risk transfer solution as a tool for enhancing disaster risk management in the country. The primary outcomes of the project will be enhanced government preparedness to respond to drought shocks when they occur and more resilient rural communities from drought. It is planned that in the very near future the project will also integrate flood insurance when the product is available from the African Risk Capacity (ARC).

The project spans over a period of 5 years (2022- 2026), with a total budget of UA 9.13 million co-financed from ADF 15 resources and in-kind contributions by ARC and the Government of Sudan as well as from the ADRFi MDTF. It will be preceded by preparatory activities in 2021. The direct beneficiary of the project is the Government of Sudan, particularly the agencies involved in disaster risk management in the country, coordinated by the Risk Management Unit of the Ministry of Finance and Economic Planning (MoFEP). The indirect beneficiaries of the project are the vulnerable population exposed to drought with a significant proportion of them being women and children.

Needs assessment: Agriculture is an important sector of the Sudanese economy, as it employs about seventy-five percent (75%) of the workforce and contributes to about 40% of Gross Domestic Product, second to Oil production. Sudan has the second largest holding of livestock in Africa after Ethiopia, and a large percentage of the livestock are kept by nomadic pastoralists who are severely exposed to drought. Although Sudan practices a mixed system of agriculture, 70% of its cereal production is by rainfed agriculture that is susceptible to drought and floods. Exposure to extreme climate variability, most particularly drought, poses substantial risks to the livelihoods of local communities, who largely rely on agriculture and pastoralism. The sector's full potential is hindered by low investment in modern production technologies, unpredictable yields and exposure to droughts and erratic rainfall which can lead to flash floods and damage to agriculture production and livelihoods.

The last few decades depicted a widespread and prolonged drought (mild to severe), except for the extreme southern and south-western parts of the country which displayed excess of humidity. Although exposed to recurring episodes of severe droughts, the capacity of the Government to adequately address them remains limited. While the Government has developed a Civil Defence Act 2005 (CDA) which established the National Council for Civil Defence (NCCD), its implementation has been a challenge, mostly due to weak institutional and technical capacity to respond to disasters as well as inadequate financial resources. The implementation of ADRFi in the country will contribute to addressing these challenges and constraints.

Bank's added value: The ADRFi project is in line with Government's agenda, as it aims at promoting ex-ante disaster risk management solutions in the country. Additionally, the Bank has gained experience in financing and implementing projects and projects in Sudan. As of 15 March 2021, the Bank's investment in Sudan amounted to UA 344 million in various sectors including Agriculture (52%). Currently, the Bank has a portfolio of six (6) agricultural projects in the country for which the development gains are threatened by the impacts of drought. ADRFi will contribute to safeguarding the Bank's investments from the risk of drought related disasters.

The implementation of ADReFi in Sudan will add value by strengthening the Government's efforts related to disaster risk management, ensuring a better assistance in case of disasters and enhancing resilience among vulnerable populations, especially in the rural areas. It will also ensure that the development gains in the country related to food security and quality of life are secured.

Knowledge management: The project is based on an innovative approach that looks at disaster risk management from a holistic point of view. The knowledge generated during the implementation of the project will feed in overall economic development agenda of Sudan. Development of risk profiles will provide accurate information on the key disaster risks and the general impact to the economy. With the information on cost for responding to the disasters, the government will be able to develop long-term management of disasters and their impacts. The knowledge will be useful in assisting the government to design the best-suit financing models. Sudan is among the countries to be supported by the Bank to implement disaster risk financing mechanism; lessons learnt will inform implementation of the same in other RMCs.

RESULTS FRAMEWORK

RESULTS FRAMEWORK					
PROJECT NAME AND SAP CODE: Africa Disaster Risk Financing Project in Sudan P-SD-AA0-008			COUNTRY/REGION: SUDAN /RDGE		
PROJECT DEVELOPMENT OBJECTIVE: to enhance the resilience and response to climate shocks in the Republic of Sudan by improving the management of natural disaster risk and the financing of disaster risk management.					
ALIGNMENT INDICATOR (S):					
RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2021)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Enhanced capacities of the Republic of Sudan to evaluate disaster risks, cost and plan response measures					
OUTCOME INDICATOR 1.1:	<input type="checkbox"/> Institutionalized nationally coordinated early warning system and preparedness mechanism	Number of Early warning systems developed and implemented	1	6	ARC project reports; project supervision reports Donor's report
OUTCOME STATEMENT 2: Enhanced ability of the Republic of Sudan to finance DRM activities and response					
OUTCOME INDICATOR 2.1:	<input type="checkbox"/> Sustained participation in the ARC Risk Pool	Numbers of years of consecutive participation by the country in the ARC Risk Pool	1	6	Government and DRM agencies; ARC project reports and project supervision reports
OUTCOME INDICATOR 2.2:	<input type="checkbox"/> Strengthened ability of the country to mobilize adequate resources for financing DRM activities and response in the country	Number of implementable disaster risk financing strategies	0	1	Government and DRM agencies; ARC project reports and project supervision reports
OUTPUT STATEMENT 1: Developing Climate Risk Management Solutions					
OUTPUT INDICATOR 1.1:	<input type="checkbox"/> Number of risk profiles independently elaborated by the country each year	Number of annually updated country disaster risk profiles	1	6	Training records
OUTPUT INDICATOR 1.2:	Number of Gender sensitive risk profiles independently elaborated by the country each year	Number of annually updated gender sensitive risk profiles	1	6	ARC activity reports
OUTPUT INDICATOR 1.3:	<input type="checkbox"/> Drought risk response contingency plan developed	Number of bi-annual contingency plans	1	3	Implementation reports from PMU

		developed and owned by all stakeholders			
OUTPUT INDICATOR 1.4:	Final Implementation Plan developed (in case of insurance pay-outs)	Number of Final Implementation Plans developed	0	≥ 1*	Final Implementation Plan, if elaborated
OUTPUT INDICATOR 1.5:	Gender Mainstreaming Plan developed	Number of Gender Action Plans developed	0	1	Gender Action Plan developed Project reports
II OUTPUT STATEMENT 2: Supporting Access to Sovereign Risk Transfer Solutions					
OUTPUT INDICATOR 2.1:	<input type="checkbox"/> Support to premium payment	Number of annual payments of the premiums to ARC Ltd	0	5	Premium Policies issued by ARC Ltd
OUTPUT INDICATOR 2.2:	<input type="checkbox"/> Disaster risk financing strategies developed	Number of Disaster Risk Financing strategy developed and endorsed by Government	0	1	Strategy report
OUTPUT INDICATOR 2.3:	<input type="checkbox"/> Support to Institutional and policy framework and public advocacy	-Number of Institutional and policy diagnosis -Position papers disseminated	0	2	Reports of the independent consultant on the Institutional and policy gaps (The diagnosis will be linked to a set of recommendations which in turn will feed the advocacy activities (position papers to be disseminated through workshops and roadshows)
		Number of Workshops with Institutional decision makers (40% women participants)	0	5	
III OUTPUT STATEMENT 3: Project Management and Coordination					
OUTPUT INDICATOR 3.1:	<input type="checkbox"/> Project management	Number of Quarterly project implementation progress report	0	20	Quarterly Project Implementation Reports
		Manual of procedure for the project	0	1	Project's Manual of Procedures
OUTPUT INDICATOR 3.2:	<input type="checkbox"/> Audit, Monitoring and Evaluation	Financial audit reports	0	5	Financial audit reports
		Annual implementation reports	0	5	M&E and Gender sensitive reports
		Project completion report	0	1	Project completion report

PROJECT TIME FRAME

Project Management Timeframe																							
Milestone	2021		2022				2023				2024				2025				2026				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Project life Cycle																							
Board approval	x																						
Grant protocol signature	x																						
Satisfaction of conditions for first Disbursement of funds		x						x			x				x						x		
Annual audits								x			x				x						x		x
Annual Implementation / completion reports								x			x				x						x		x
Annual implementation & disbursement reports								x		x	x		x		x		x				x		x
Bank's supervision mission / Mid-term review								x			x				x								x
Procurement																							
General procurement		x																					
Procurement of trainings		x						x							x								x
Procurement of technical assistance								x							x								
Procurement of goods (drones & office equipment)								x															
Key activities																							
Risk Profiling/ AFRICA RISK VIEW customization and Contingency planning								x							x								x
Collection of available agro-climatic data															x								x
Mainstreaming gender in DRM								x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Training on Risk Transfer & parametric																							x
Training on Analytical program packages (GIS, SPSS, R studio, Python, etc...)															x								x
Elaboration of a National Master Plan for DRM (drought, floods and other hazards)																							x
Organization of meetings of the Steering Committee															x								x
Acquisition and training of 5 drone super resolution DSM data managing cropping system																							x
Forecast based on impacts															x								x
Interpretation of satellite images															x								x
Support to Premium Payment															x								x
Diagnosis study on legal and institutional Gaps																							x
National Disaster Risk Financing Strategy																							x
Trainings in public policy management of climate risks																							x
Advocacy activities (Sensitisation workshops and roadshow topolitical Leader, parliamentaries , and local leaders and communities)																							x

REPORT AND RECOMMENDATION OF MANAGEMENT TO THE BOARDS OF DIRECTORS ON PROPOSED GRANTS TO REPUBLIC OF THE SUDAN FOR THE AFRICA DISASTER RISKS FINANCE (ADRFi) PROGRAMME

Management submits the following report and recommendations on the proposed project, financed from an ADF 15 Grant of UA 3.66 million, TSF Pillar I Grant of UA 2.34 million, and Africa Disaster Risk Financing (ADRFi) Programme Multi-Donor Trust Fund (ADRFi MDTF) Grant of USD 750,000 to the Republic of the Sudan to finance the implementation of the Africa Disaster Risk Financing (ADRFi) Project. The Project will benefit from the contributions of the Government of Sudan to the tune of UA 1.7 million, and the in-kind contribution by the African Risk Capacity (ARC) estimated to the tune of UA 0.9 million.

I – STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Country Strategies and Objectives

1.1.1 Sudan has a population of about 43.9 million and an economy reliant on oil production and agriculture. With a contribution of about 39% to the GDP and employment of about 75% of the country's workforce the agriculture sector is the hub of economic activity and people's livelihood in the country. About 85% to 90% of the cultivated area in Sudan is rain-fed and based on a "low-input-low-output" technology. In the last forty years, summer rainfall pattern across the country has been decreasing, while temperatures have recorded an increasing trend. Sudan is impacted by worsening desertification, deforestation, frequent drought and floods, unpredictability of weather conditions and rainfall, resulting in a negative impact on agricultural production.

1.1.2 Traditionally, the agriculture sector is characterized by low productivity due to numerous production constraints including: (i) high dependence on rainfall with low investments in irrigation facilities; (ii) low use of contemporary production inputs such as high-yielding seeds, fertilizers and appropriate agro-chemicals; (iii) use of rudimentary production tools and cultural practices; (iv) high level of post-harvest losses, especially in the rural areas; (v) non-existent agricultural extension services in most areas; (vi) lack of timely access and high cost of input finance (especially for the youths and women); and (vii) lack of access to sustainable marketing. These constraints are exacerbated by the events of climate change and its worsening negative impacts in recent times.

1.1.3 Over the last 30 years, Sudan has been affected by five moderate-to strong El Niño events, in which low rainfall and/ or droughts of different magnitudes were reported (FAO 2016). The areas frequently affected by drought include Western Sudan, Kordofan and Darfur States, areas located along the Blue Nile River and the main Nile River that include the Northern state, Naher El Neil state, Khartoum and Gezira states, Kassala state and Red Sea state. The 2015 weather pattern, caused by El Niño, resulted in poor harvests. The 4.6 million people who are currently impacted by food insecurity, and the 2.1 million children who are suffering from acute malnutrition, are particularly vulnerable, mostly because of unpredictable rainfall patterns. Estimated figures indicate worsening food insecurity and increasing number of people requiring food assistance and livelihood interventions (Sudan Humanitarian Crisis Analysis, 2017). Additional stresses occur with the on-going process of desertification driven by climate change and conflicts, thereby aggravating the vulnerability of the population.

1.1.4 Over-reliance on rain-fed subsistence farming makes agriculture sector in Sudan prone to climate-related risks that are on the increase due to climate change. As a response, the Government of Sudan adopted the Civil Defence Act 2005 (CDA) and established the National Council for

Civil Defence (NCCD). The NCCD is the main decision-making body during emergencies and adopts the disaster management policies for the Country. In case of a disaster or a threat to national security, CDA prevails against any other law that might be contradictory to it. The Interim Poverty Reduction Strategy Paper (2012) is also an important document that creates synergy of adaptation to climate change to all vulnerable livelihoods in the country and focuses on agriculture, water resources, and public health. Sudan ratified Paris Agreement in September 2017 and submitted its first Nationally Determined Contribution (NDC). The NDC has placed significant emphasis on adaptation and lists Sudan's intended policies and actions to help communities adapt to climate change. The Government of Sudan also ratified the Sendai Framework for Disaster Risk Reduction (2015–2030).

1.1.5 Sudan is financially constraint to implement a meaningful disaster risk managing project that will contribute to addressing the negative impacts of climate change in a comprehensive manner. Over the last decade the country has faced economic sanctions and isolation from the rest of the world. The severities of the economic sanction imposed on Sudan have contributed to massive cuts in government spending on development and social services. the outbreak of the COVID-19 pandemic negatively affected Sudan's economic growth, as real GDP contracted by an estimated 8.4% in 2020, compared to 2.3% growth in 2019. This recession was due to the negative impact of the pandemic on commodity prices and trade, travel, and financial flows. Going forward, Sudan is still facing more complex challenges, as its economic outlook continues to be overshadowed by COVID-19 pandemic. In this regard, the economy is projected to remain in recession in 2021, with a return to modest growth expected in 2022. The COVID-19 pandemic required an urgent increase in public spending on social and health sectors to cope with the health challenges and sharp decline in economic activity. In this regard, the Government is making efforts for fiscal consolidation over 2021–23, to help mitigate social tensions and (ii) enhanced fiscal revenue mobilization.

1.1.6 As of end-2019, Sudan's external debt stood at USD 49.8 billion (including about UA276 million to the Bank), with 86% in arrears. Sudan's debt is unsustainable, and arrears severely limit its access to resources needed to finance the country's development agenda. The Debt/GDP ratio in October 2020 was 172.9%, exceeding the 40% sustainability threshold for low income countries, and is expected to remain at 130.6% by 2040. Current Government commitment to economic reforms with the IMF is likely to bring Sudan closer to realizing debt relief under the HIPC Initiative, thereby normalizing relations with International Financial Institutions (IFIs), including the Bank. The World Bank successfully cleared Sudan's arrears in March 2021, while the IMF decided at the same time to proceed with mobilizing resources for Sudan's arrears clearance by June 2021. Similarly, the African Development Bank is also in the process of clearing the country's arrears. Other initiatives are underway for arrears clearance with the Paris Club of creditors.

1.1.7 The arrears clearance by IFIs will help Sudan to advance its national development priorities to build capacity and institutional strengthening to attain sustainable and inclusive growth through, inter-alia, access to basic social services and value chain development in productive sectors. The Bank Group plans to support Sudan to efficiently utilize the anticipated financing post-arrears clearance. It is expected that improving funds availability to Sudan will enable them to address challenges of climate change and financing disaster risk management activities, including risk insurance premium payments, in a sustainable manner.

1.1.8 ADRiFi is well aligned to the Government of Sudan (GoS)' long term development goals which are expressed in its 25-Year National Strategy (2007-2031) whose main objectives include the development of organizational structures to manage the environment and to make it suitable and capable to adjust to negative impacts of climate change. It also aims at realizing a balanced agricultural and rural growth, sustainable development, food security and increased job opportunities. The project is also in line with the country's latest Economic Recovery Program (2020-25), which aims to diversify the economy away from oil to agriculture for an accelerated and sustainable economic growth. The project supports Sudan's Nationally Determined Contribution (NDC) adaptation targets and will align to the country's new PRSP which has been prepared by the Government.

1.2 The rationale for Bank's involvement

1.2.1 The Bank has important investments in agriculture representing fifty two percent (52%) of its portfolio in the Republic of Sudan which are exposed to climate shocks. The protection of gains made from these investments is a priority for the Bank. Farmers in Sudan face challenges induced by climate change that are not likely to be eliminated totally in the short-term, and therefore will be exposed to low-frequency and high impact events in the near future. Cushioning the farmers from climate-related shocks will ensure they recover promptly from such events and are able to sustain or improve their agricultural production potential. In the absence of protection through insurance, there are high probabilities that farmers adopt negative coping strategies that increase their vulnerabilities.

1.2.2 The overall ADRiFi project is in line with the Bank's Ten-year Strategy (TYS) which focuses on two objectives to improve the quality of Africa's growth - inclusive growth and the transition to green growth. It is in line with two of the Bank's 'High 5' priorities: "Feed Africa" and "Improving the Quality of Life of Africans". The project is also in line with Bank's Climate Change Action Plan 2016-2020 (which is extended to 2021), which supports, under its Pillar II on Adaptation, since early warning systems and climate risk financing are key to building resilience against climate change. ADRiFi is also well aligned with the Bank's ADF 15 strategic framework and Strategy for Addressing Fragility and Building Resilience in Africa, the two sources of funding for the project. ADRiFi is also aligned with the Bank's Gender Strategy to increase the capabilities and opportunities of women and girls to boost the productivity and participation of half Sudan's population.

1.2.3 The project is in line with the Bank's Country Brief (CB) (2017-2019 extended to 2021) for The Republic of Sudan, with its pillar II on Agriculture for Job Creation and Livelihoods, which aims at: (i) strengthening agricultural value chains to create jobs and livelihoods opportunities and (ii) enhancing innovation in agriculture to improve productivity, incomes and employment opportunities. The CB Pillar II aims to address climate change issues (land degradation, low rainfall, erratic weather) in line with the Sudan "Twenty-Five--Year National Strategy (2007-2031)". ADRiFi will align to the Bank's plans for an interim Country Strategy Paper (I-CSP 2022-2024). Implementing ADRiFi will not only protect the livelihoods of the rural population but also ensure that gains achieved in the agriculture sector are sustained in the event of severe weather shocks.

1.2.4 Sudan plans to participate in the sovereign insurance pool provided by African Risk Capacity (ARC) to countries that experience drought shocks. Participation in such insurance scheme will endow the country with an improved planning, preparation and response to severe

drought, given that parametric insurance provides funds in the event of climate shocks that facilitate timely response to avert disaster. Payment of the insurance premium has been a challenge for the country in the light of fiscal constraints, current COVID crisis and competing development priorities. The Bank’s intervention will indeed help the country to overcome this constraint.

1.2.5 Sudan is generally lacking a comprehensive policy and legislative framework that deals with climate disaster risk and especially drought mitigation related policy in an integrated manner. Institutional involvement in disaster management varies across the government and civil society organizations (CSOs) and institutions at state level. Currently, there is the absence of a proper strategy to translate sectoral policies to local level planning leading to a significant gap between the local, community and national level. The ADRiFi project in Sudan will contribute to building institutional capacities for an enabling regulatory framework to address risks, responses, and needs.

1.2.6 By supporting the Government of Sudan in accessing sovereign coverage against the risks of drought (and floods in the near future), ADRiFi will contribute to the country’s National Development Plan (NDP), particularly the pillar promoting environmental sustainability, climate resilient rural communities, and appropriate land use.

1.3 Donor Coordination

The Republic of Sudan is a signatory to the Paris Declaration on Aid Effectiveness. Sudan does not have an established Aid Coordination and Harmonization mechanism in place. However, donor aid falls under the responsibility of two ministries¹ depending on the type of aid. Development partners such as UNDP, WFP, UNOCHA and the World Bank have focused their support mainly towards capacity building and humanitarian assistance. The UNDP policy aspect and operational support activities on disaster risk reduction are very much aligned with the proposed activities of ADRiFi in Sudan. However, some development partners in the country have expressed the need for a coordinated approach in responding to managing disaster risks. In this regard, the ADRiFi Sudan could facilitate a coordination mechanism with all stakeholders that will enable the successful implementation of proposed activities. Table 1 outlines the activities of development partners in Sudan that will complement those proposed under this project.

Table 1: Project Linkages with Relevant Activities of Development Partners

Institution	Activities of Development Partners
1. United Nations Development Project (UNDP)	<p>Policy aspect: Draft National Disaster Risk Reduction Strategy (2016-2020) not approved; and Khartoum State Disaster Risk Reduction Strategy.</p> <p>Operational support on flood: Support to Emergency Operations Centre, Establishment of Loss and damage data base system, Implementation of the Weather Index Insurance, Strengthening of Early Warning Systems institutions (including GIS and Meteorology) and Rapid PDNA with the World Bank after the 2020 floods.</p>

¹ The Ministry of Finance and Economic Planning, which coordinates bilateral and multilateral financial institutions including the AfDB, the World Bank, and the IMF; and the Ministry of Humanitarian Aid Commission, which is responsible for humanitarian assistance

2. World Food Program	Operational support on flood: vulnerability analysis for beneficiaries' identification; and flood assessment
3. UNOCHA	Operational support on the value chain of early warning
4. World Bank	Operational support on flood: assistance to the Ministry of Social welfare on Social Safety Net for vulnerable (better identification and inclusion of the vulnerable in the disaster need assessment and recovery Plan).

II – PROJECT DESCRIPTION

2.1 Project Components

2.1.1 The overall goal of ADRiFi in Sudan is to enhance the resilience and response to climate shocks in the country by improving the management of climate disaster risks. The Project's specific objectives are:

- (i) To strengthen the capacity of Sudan to evaluate climate-related risks and costs, and elaborate subsequent adaptation measures at both national and sub-national levels; and
- (ii) To promote initial financing for disaster risk transfer solutions.

2.1.2 Proposed outcomes of ADRiFi include: (i) Efficient and timely first-response delivery to targeted beneficiaries affected by disasters (financed from national resources), and (ii) Strengthened resilience to drought-linked disasters in Sudan. These outcomes will be achieved through a comprehensive capacity building activities, designed to assist the country to quantify and manage their climate risks, and to make informed decisions regarding transferring risk to the market through insurance, as part of a holistic national risk management strategy. The project is organized around three mutually interrelated components as follows:

2.1.3 Component 1 - Developing Climate Risk Management Solutions: This component will be implemented in collaboration with ARC as part of its contribution to project implementation. The contribution will be provided in-kind, estimated from the capacity-building support that the ARC will be providing. Through this component, ADRiFi will build the capacity of technical staff and policy makers on DRM as well as support Sudan in defining its risk profile and developing contingency plans to respond to drought shocks. Moreover, the project will support the country in integrating early warning tools within its national system. At the end of the capacity building activities, the country will be able to identify and define its risk profile, both in terms of number of people affected by drought each year, and the associated cost for the national budget. Activities for this component are organized around disaster risk profiling and contingency planning for drought shocks. The project will support the collection of available agro-climatic data as part of the data and institutional capacity development for improved risk profiling

2.1.4 Sudan will receive support to empirically model its risks, understand financial options available to manage them including sovereign risk transfer mechanisms. The risk profile will be used in the country's selection of risk transfer parameters to subsequently determine the appropriate level of insurance cover. Concurrently, the country will be supported in developing contingency plans that will be implemented in the event of drought shocks. Key activities under this sub-component will include contingency planning and engagement workshops, support development of beneficiary selection criteria and beneficiary selection in an inclusive manner, to be rolled out

in the event of a disaster and a payout from the insurance. Moreover, support will be provided to the country to elaborate a Final Implementation Plan (FIP) that will ensure that assistance to the affected people is deployed efficiently when the country receives a payout. It is expected that within 120 days of receiving the payout, the first beneficiary should be reached, and that assistance is completed within 6 months.

2.1.5 ADRiFi will build on the existing contingency planning processes facilitated by ARC. This process requires countries to identify the optimal use of funds for a potential payout in the event of a disaster, given the existing national risk management structures and the needs of potential beneficiaries. The contingency plan (as an operational plan) will be government-driven and based on in-country priorities for risk management in the context of food security and aims to provide assistance via shock-responsive or scalable systems (such as social protection) or assistance in kind (e.g. food distribution, school feeding, water or food vouchers or animal fodder) to sustain livestock and protect livelihoods. For the purposes of implementing a contingency plan a Final Implementation Plan (FIP) will be submitted by the country shortly before an imminent payout and will include detailed information on how the payout will be deployed. These plans are developed collaboratively between national stakeholders and development partners.

2.1.6 ADRiFi will promote multi-stakeholder participation in the elaboration of a national contingency plan while ensuring engagement with, and contributions from national stakeholders including at community level for the delivery of a nationally owned and driven contingency plan. This will entail working with in-country technical experts in emergency response and social protection, to explore existing contingency funding mechanisms in the country, assessing and supporting the scaling up of existing social protection projects, while promoting best practices and channeling funding to affected populations in a timely and efficient manner. The outlined activities will enhance and support inter-ministerial collaboration and better coordination of donor interventions in Disaster Risk Reduction (DRR) in the country. Implementation and funds flow mechanism for payouts through ADRiFi will be detailed out in the country contingency plan and response systems.

2.1.7 **Component 2 - Supporting Access to Sovereign Disaster Risk Transfer Solutions:** This component aims at strengthening the capacity of the country to implement disaster risk management activities through sovereign disaster risk insurance and the sustainable payment of their insurance risk premiums. The first activity under Component 2 will be the provision of support to Sudan in accessing the regional sovereign risk transfer pool, by contributing in the financing of risk premium payment for the country. By accessing the regional risk pool of ARC, Sudan will benefit from economies of scale of pooling risk across the continent and the policy will cost a lot less than if the country had to ensure itself directly in the insurance market for the same perils. The second activity of the project will be to formulate a comprehensive national disaster risk financing strategy that will guide sustained resource mobilization for DRM activities in the future. Thirdly, the project will provide a technical assistance to the technical staff and policy makers in public policy management of climate risks.

2.1.8 By receiving support capped at 70% of the premium the country will, from the start of the project, commit to building premium payments into their national budgets. Table 2 shows premium support in a digressive manner over the five-year period of the project. The Government of Sudan will earmark the allocation for premium payment from their national budget, and the contribution will be increasing gradually every year to reach 50% in the last year of the project. This is with the

view that after Year 5 (2026), the country will be able to sustainably source and channel funds towards premium payments, as a result of the successful implementation of Components 1 and 2 of the project. It is envisaged that a second phase of this project, to be funded by subsequent ADF allocations, may be needed to enable the country build up its financial capacity to reach 100% premium payment from its national budget. It is expected that current initiatives to address the country’s economic sanctions and isolation, arrears clearance and initiatives by IFIs as well as increasing goodwill of the donor community will contribute to improving the fiscal situation in the country to enable them budget for premium payments from their national budget in the near future. A special case is therefore made for Sudan to receive more than the stipulated 50% of the total premium support over the life of the project normally accorded to new countries joining ADRiFi, in the light of the current peculiar financial circumstances of the country

Table 2: Premium Payment Support Schedule

ADRFi Sudan: Premium Payment Financing Structure (% Contribution)					
	2022	2023	2024	2025	2026
ADF 15	90	80	70	60	50
GOVT.	10	20	30	40	50
Total	100	100	100	100	100

2.1.9 As part of the implementation of the ADRiFi Programme, the Bank’s Board approved a proposal in January 2021 to establish a Multi-Donor Trust Fund (MDTF) with the support of the Government of the United Kingdom (UK) through the Foreign, Commonwealth and Development Office (FCDO) and the Government of Switzerland through the Swiss Agency for Development and Cooperation (SDC). The MDTF will support country projects in line with the overall goal of the ADRiFi Programme to enhance resilience and response to climate shocks in RMCs through sovereign risk transfer, by supporting countries to pay the cost of insurance premium. The MDTF will therefore strengthen the Bank’s effort to promote disaster risk transfer in RMCs, by supplementing the transfer of RMCs’ risk of climate-related disaster to the existing pan-African regional risk pool. In this regard, Sudan was identified as the first country to benefit from the MDTF to the tune of UA 532,914 (USD 750,000) for premium payment in 2021 whilst awaiting ADRiFi funds to commence project implementation in 2022. The MDTF funding represents 50% of Sudan’s premium payment for 2021, to be complemented by Kreditanstalt für Wiederaufbau (KfW) for the other 50%. The MDTF approval was made in line with the approved Operational Guidelines of the MDTF. As part of the process, the premium support application for 2021 was submitted by the Government of Sudan and was screened by the ADRiFi Coordination Unit (CU). The application was subsequently considered and cleared by the Technical Review Committee (TRC) with a recommendation to the Oversight Committee² (OC) which approved the funding.

2.1.10 It is expected that the comprehensive national disaster risk financing (DRF) strategy, will improve an understanding of the whole array of financing instruments available for disaster response, with an emphasis on sovereign risk insurance. The first step will be to identify and quantify existing disaster risks for both men and women, estimating the financing needs for each different risk, and outlining which financing tools will be more appropriate to address those needs

² The OC is composed of representatives of contributing donors (FCDO and SDC) and Bank represented by AHVP.

while ensuring value for money. The strategy is expected to be a combination of different financing tools, including sovereign insurance, depending on the severity and frequency of the risks. Through ADRiFi, the country will also be supported to ensure that risk management expenditures, as outlined in the disaster risk financing strategy, are fully integrated in national budgetary processes, as necessary, and supported through the relevant policy development.

2.1.11 ADRiFi will also contribute to building institutional capacities for an enabling regulatory framework to address risks, responses and needs. A technical assistance will be provided for a diagnostics study to identify regulatory loopholes and provide recommendations for an enabling environment for climate risks response. This will be proposed in the early stages of the project to ensure the outcome of the study and recommendations will feed into related subsequent activities. Advocacy activities through workshops and training of technical staff and policy makers in public policy management of climate risks will be also covered by the technical assistance support.

2.1.12 **Component 3 - Project Management and Coordination:** The implementation of ADRiFi requires a project management arrangement for coordination. This component entails overall coordination of activities in the country to ensure smooth implementation and monitoring of the activities through the establishment of a Project Management Unit (PMU). Specifically, the role of the PMU will include: coordination of ADRiFi activities, in partnership with other related actors, mainstreaming activities within the Government agencies, annual work plan and budgeting, regular reporting, annual auditing and final project evaluation, along with the recruitment of local consultants, where needed, to support financial management, and monitoring and evaluation. Capacities of the main stakeholders will be strengthened to carry out project management and coordination. Table 3 illustrates the Project Components.

Table 3: Project Components

#	COMPONENT	UAm	ACTIVITIES TO BE UNDERTAKEN																		
	Pre-project Premium Financing	0.53	Premium financing for 2021																		
1	Developing Climate Risk Management Solutions	1.81	<ul style="list-style-type: none"> ○ Support collection of climate data ○ Develop country risk profiles ○ Basic and advanced training in ARVs (including women) ○ ARV Customisation ○ Integrate ARV in the national early warning system ○ Develop national contingency plans for drought ○ Update of the Operational Plan ○ Mainstream gender in DRM ○ Strengthen impact-based forecasting ○ Organization of meetings of the Technical Review Committee ○ Prepare a Final Implementation Plan - in case of disbursement by ARC Ltd. 																		
2	Supporting Access to Sovereign Risk Transfer Solutions	5.65	Financing of Annual Insurance Premium (UA millions) <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> <th>2026</th> </tr> </thead> <tbody> <tr> <td>ADF15</td> <td>0.96</td> <td>0.85</td> <td>0.74</td> <td>0.64</td> <td>0.43</td> </tr> <tr> <td>Govt.</td> <td>0.11</td> <td>0.21</td> <td>0.32</td> <td>0.43</td> <td>0.64</td> </tr> </tbody> </table>		2022	2023	2024	2025	2026	ADF15	0.96	0.85	0.74	0.64	0.43	Govt.	0.11	0.21	0.32	0.43	0.64
	2022	2023	2024	2025	2026																
ADF15	0.96	0.85	0.74	0.64	0.43																
Govt.	0.11	0.21	0.32	0.43	0.64																

#	COMPONENT	UAm	ACTIVITIES TO BE UNDERTAKEN				
			Total	1.06	1.06	1.06	1.06
			<ul style="list-style-type: none"> ○ Participate in a sovereign risk pool ○ Develop a disaster risk financing strategy ○ Conduct strategic study on the legal, institutional and financial plans for the financing of Disaster Risk Management ○ Validate the Strategic Plan and popularization of its results, for use by Governments' Stakeholders ○ Advocacy activities through workshops and training of technical staff and policy makers in public policy management of climate risks 				
3	Project Management and coordination	1.12	<ul style="list-style-type: none"> ○ Administrative and operational support ○ PMU equipment ○ Project Audits ○ Conduct M&E and prepare reports 				
	TOTAL (UA)	9.13					

2.2 Technical Solution Retained and Other Alternatives Explored

In implementing this project, the Government of Sudan will be guided in the choice of the most appropriate financial solutions that are adapted to the risk profile of the country. Table 4 outlines the different technical options considered for financing disaster risks in the country, and the choice of parametric insurance as a reliable option for the Bank to support in building the resilience to climate disasters in the country.

Table 4: Project Alternatives Considered and Reasons for Rejection

Intervention	Description	Reason for Rejection	Selected Option
Set up a contingency fund line of credit similar to the World Bank's CATDDO.	Loan disbursed to Sudanese Government based on a pre-approved threshold and trigger that would then help finance early disaster response.	Unsustainable public debt which is currently at 172.9% of the GDP, severely limiting its access to resources needed to finance the country's development agenda.	The support, which may come as a grant is most desirable. The country will be able to absorb the cost of premium payment in its budget as the fiscal situation improves. This approach will give the government some fiscal space to organize its budget resources overtime.
Establishment of National Contingency Fund	A nationally managed facility funded from country's budget	The time between establishment and operationalization of National Climate Funds would run well beyond the planned project timeframe. This may be considered as a longer-term solution.	

			The government has started implementing parametric insurance and project support is meant to improve performance and give government fiscal space to plan future funding from national budget allocations
Disaster risk financing through access to sovereign insurance	Insurance product that pays when drought exposure reaches prior agreed threshold.	Accepted	

2.3 Project Type

This country-specific operation is under the framework of the multinational Africa Disaster Risk Finance (ADRFi) Project, which aims at building the resilience of RMCs to climate disasters. The specific objectives of the proposed project are to: (a) to strengthen the capacity of the government of the Republic of Sudan to evaluate and cost climate-related risks, and elaborate subsequent adaptation measures at both national and sub-national levels; and (b) assist the government implement disaster risk financing solutions including sovereign disaster risk insurance against climate-related shocks.

2.4 Project Cost and Financing Arrangements

The total cost of the project, net of taxes and duties, is estimated at UA 9.13 million. The Bank will provide a total funding from ADF 15 grant of UA 6.0 million³, (70 % of total costs); ARC will provide a co-financing in-kind contribution estimated at about UA 0.9 million (10% of total costs) to cover for activities under component 1; and the Government will contribute UA 1.7 million (20% of total costs). Funds from Government are estimated from its own share of the payment of the premium during the project lifespan. The MDTF will contribute UA 0.53 million for pre-project financing of premium payment in 2021. Table 5 summarises the different sources of funding.

Table 5: Sources of Project Funding (2022-2026)

Source	In UA	% Total
Grant (ADF 15 & TSF Pillar I)	6,000,000.00	70%
ARC Contribution (In-kind)	867,857.15	10%
Government contribution in Premium Payment	1,714,285.71	20%
Total	8,582,142.86	100%

³ PBA allocation of UA 3.66 million and TSF Pillar I UA 2.34 million

Table 6: Project Cost Estimates by Component ((2022-2026))

Components	Cost in Unit of Account	%
1. Developing Climate Risk Management Solutions	1.81	21%
2. Supporting Access to Sovereign Disaster Risk Insurance	5.65	66%
3. Management and coordination	0.87	10.1%
Physical and Price Contingency	0.25	2.9%
Total Project Cost	8.58	100%

Table 7: Expenditure schedule by component [in UA]

Components	2022	2023	2024	2025	2026	Total
1. Data and Institutional Capacity Development for Improved Risk Profiling and Contingency planning	408,571.43	387,142.86	347,857.14	330,000.00	337,142.86	1,810,714.29
2. Supporting Access to Sovereign Disaster Risk Insurance	1,071,428.57	1,153,571.43	1,246,428.57	1,103,571.43	1,071,428.57	5,646,428.57
3. Management and coordination	186,571.43	171,571.43	172,285.71	173,000.00	171,571.43	875,000.00
Physical Contingencies	21,428.57	21,428.57	21,428.57	21,428.57	21,428.57	107,142.86
Price Contingencies	28,571.43	28,571.43	28,571.43	28,571.43	28,571.43	142,857.14
Total Project Cost	1,716,571.43	1,762,285.72	1,816,571.42	1,656,571.43	1,630,142.86	8,582,142.86

2.5 Project's Target Area and Population

2.5.1 The direct beneficiary of ADRiFi is the Republic of Sudan, which will benefit from the support for the payment of its premium to ARC Ltd, as well as relevant Ministries, Departments and Agencies that will benefit from capacity building to manage disaster risk activities in the country. The indirect beneficiaries are the local and rural communities that may benefit from assistance in the event of droughts. The project will target individuals affected by drought with special focus on women and children.

2.5.2 Beneficiary communities of insurance cover and immediate assistance in the event of a disaster will be selected within the context of contingency planning. The rural communities in the respective villages will be engaged in the process of identifying individuals and households to be included in the pool of beneficiaries. Targeting at village level will be encouraged as designated community groups have knowledge of the status of neighbouring households. The final list of the beneficiaries that will receive support from the insurance payout will be compiled in collaboration with stakeholders involved in disaster response, including Sudan Red Cross Society, UNDP, IFAD and WFP.

2.6 Participatory Process for Project Identification, Design, and Implementation

2.6.1 Key stakeholders consulted during the project preparation included the staff of relevant ministries such as the Ministry of Finance and Economic Planning (MoFEP). Relevant departments in these ministries provided inputs on existing gaps that could be addressed through the project. Key departments and institutions consulted during the appraisal mission included

the Risk Management Unit and the Public Debt department of MoFEP. Additional stakeholders involved: Fund of Alleviating Impact; Food Security Technical Secretariat (FSTS); Peace and Humanitarian Affairs of the Ministry of Foreign Affairs; National Insurance Regulatory Authority (NIRA); Sudan Meteorological Authority (SMA); Department of Natural Resources of the Ministry of Agriculture; National Council for Civil Defence (NCCD); and Technical Working Group (TWG) of the African Risks Capacity (ARC); and the Higher Council of Environment (HCENR).

2.6.2 The ADReFi project team also met with representatives of Development Partners including the Foreign, Commonwealth & Development Office (FCDO); the United Nations Development Programme (UNDP); the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA); the World Food Programme (WFP); the European Union; and the World Bank. The Risk Management Unit of MoFEP provided input to the design and will lead the process of implementation. The Unit will establish disaster risk coordination amongst all stakeholders involved in disaster risk reduction activities in the country.

2.7 Bank Group Experience, Lessons Reflected in Project Design

2.7.1 The overall ADReFi Programme is an innovation in the Bank. The Sudan country project builds on the experiences of the Bank and lessons learnt from designing and implementing climate resilience projects in different African countries and mainstreaming climate change in all Bank-financed operations. It has benefited from various projects implemented under the Bank's Climate Change Action Plan II -CCAP2 (2016-2020) as well as the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019). The design of the ADReFi Sudan has equally been informed by lessons learnt from the implementation of various projects by the Bank in Sudan, particularly in agriculture. The project team considered the fact that although overall country portfolio performance is satisfactory⁴, previous projects approved by the Bank have experienced delays in meeting conditions precedent to first disbursement due to delays in PMU set-up. In this regard, ADReFi Sudan will aim to fast track the recruitment of PMU staff.

2.7.2 Additionally, the design of ADReFi Sudan has benefitted from lessons learnt in implementing ADReFi in other countries such as the Gambia, Madagascar, Zimbabwe, Mauritania and Niger. Experience has shown that countries may require support in the initial years of adopting parametric insurance as a risk transfer solution. The ability of the countries to continue payment of the insurance coverage against climate disasters from their budgets after initial support informs the motivation for the Bank to fund this initiative. In this regard, the Bank will work closely with the government of Sudan to prioritize disaster risk solutions and factor the cost of purchasing insurance in the annual budget in a sustainable manner. Also, lessons learnt from delayed implementation of insurance payout to the Government of Madagascar has been incorporated in the elaboration of the contingency plan for Sudan by ARC, to facilitate early implementation of activities meant to support local communities impacted by a disaster.

2.8 Key Performance Indicators

2.8.1 The Results-based Logical Framework presents the critical performance indicators of the project. The outcome indicators outline the general benefit to the vulnerable individuals/rural communities and the support the government will receive from the insurance; as well as capacity building of institutions that are involved in the management of disaster risks. Key outcome

⁴ The overall Sudan portfolio performance is satisfactory, with an Implementation Progress (IP) rating of 3 and a Development Objective (DO) score of 3 (on a scale of 1 to 4)

indicators include but are not limited to: (i) number of individuals whose vulnerability to droughts has improved or stabilized; (ii) number of days/months taken by the government of Sudan to receive and disburse insurance payout for activities to support affected communities after occurrence of a covered (insured) event; (iii) total funds disbursed by the insurance; and (iv) number of institutions whose capacity on disaster risk response has been built.

2.8.2 A monitoring and evaluation system will be established to facilitate periodic reporting in Quarterly Progress Reports, bi-annual M&E, Mid-Term and End Term Review of the project. This reporting will be based on planned activities.

III – PROJECT FEASIBILITY

3.1 Economic and Financial analysis

3.1.1 The economic and financial feasibility of ADRiFi country projects are not based on net present value (NPV) analysis, as they do not generate direct revenues for financial profitability. However, their viability is determined by a cost-benefit analysis of the ex-ante disaster risk management measures taken in Sudan. For an annual insurance premium of USD 1.5 million, the country is guaranteed an insurance coverage of up to USD 30 million for extreme events insured, with a probability of occurrence of once every 4 years, which gives a ratio of almost 20%.

3.1.2 Furthermore, investing in the purchase of the ARC insurance policy generates many economic benefits for the country such as the reduction of its financial vulnerability to drought (and floods) episodes, due to the rapid and immediate availability of assistance funds for affected persons, and the relatively low rate of the ARC insurance premium resulting from the country's participation in the risk pool. In the long term, given that each US dollar invested in the payment of the ARC insurance premium generates savings of USD 4.4 in assistance to affected people, it is expected that the reduction of climatic disaster costs will generate stable GDP growth through the reallocation of funds to key sectors such as infrastructure, education and health.

3.2 Environmental and Social Impacts

3.2.1 **Environmental impact:** The project is classified as Category 3 as it does not have environmental and social risk impacts that would require the preparation of an Environmental and Social Management Plan. The project's primary focus is on promoting solutions that will lead to greater climate resilience and improve access to innovative financing that would enable effective disaster risk management in the country. No negative and site-specific undesirable environmental and social impacts are envisioned as the project involves mainly capacity building, risk modeling and adoption of risk transfer solutions.

3.2.2 **Social Impact:** The increased frequency of extreme weather events will have devastating consequences for human wellbeing and the livelihoods of rural people in Sudan. Such events activate weakening situations and cause wide-ranging loss of livelihoods and property. The project anchored as a socio-economic development approach will mitigate new risks (risk avoidance), addressing existing risks (risk reduction and risk retention), as well as the residual risks and social safety nets (SSN) that prevents, limits and/or address the socio-economic impacts of climate-related disasters.

3.2.3 The project will unlock investments that will eventually contribute to economic growth and reduce vulnerability to climate change. It will stimulate climate smart investments in the vulnerable sectors (agriculture, agro-allied and livestock) in Sudan, which will contribute to improved sustainable livelihoods, poverty reduction, increased food security/nutrition, and reduced labour loss in the rural communities. Adaptation measures of the project will make rural communities less vulnerable to climate shocks. The implementation of ADRiFi in Sudan will not result in involuntary resettlement of communities.

3.3 Climate change

3.3.1 The project has been screened for climate risks and rated as Category 3, as it aims to address vulnerability to climate risks. The project's support to access to sovereign disaster risk insurance and provision of climate risk management solutions will enhance Sudan's resilience and adaptive capacity to extreme weather events such as droughts and floods, both of which have increased in frequency and intensity. With most of the country's population dependent on rain-fed agriculture, drought is a significant threat to Sudan and normally results in lower food production, reduction in water and pasture availability, loss of human and livestock lives, migration and conflict over limited resources, especially pastures and water. Capacity building of key government agencies involved in the ARC Technical Working Group will be conducted to enhance coordination and effective implementation of measures to reduce and manage climate risks, properly operate and maintain the weather observatory and early warning system, and issue agro-advisories. No greenhouse gas (GHG) emissions are expected to result from implementation of the project activities.

3.4 Gender

3.4.1 Gender attitudes are changing, and Sudan's Gender Inequality Index ranking has improved from 166 in 2013 to 139 in 2018. The government has been making efforts: in 2020, Sudan has criminalized carrying out Female Genital Mutilation (FGM). However, women in Sudan still do not have the same opportunities as men. It remains the 48th out of 51 countries in the Africa Gender Index 2019. Although both women and men working in natural resource sectors, such as agriculture, are likely to be affected, women are increasingly being seen as more vulnerable than men to the impacts of climate change, mainly because they are proportionally more dependent on threatened natural resources, have less access than men to resources such as land, credit, agricultural inputs, decision-making structures, technology, training and extension services that would enhance their capacity to adapt to climate change.

3.4.2 The project will contribute to the inclusion of gender sensitivity into risk profiling and contingency planning, targeting local women and communities to raise awareness and build their resilience. As an entry point, the detailed gender analysis leading to the development of a Gender & DRM action Plan, training manual and guidelines will be developed. Furthermore, alternative rehabilitation activities (e.g. training on entrepreneurship skills and alternative revenue generation activities) are planned. This project is categorized as *GEN II* under the Bank's Gender Marker System, as it aims to mainstream gender into DRM, and build resilience of the women, who are more vulnerable during disasters.

IV – IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 The Bank is developing this project in collaboration with ARC that facilitates the implementation of Component 1. The Republic of Sudan will ensure the fulfilment of the grant conditions. The day-to-day implementation of the project will be carried out by the Risk Management Unit (RMU), under the Ministry of Finance and Economic Planning. A Project Management Unit (PMU) will be constituted within the Risk Management Unit and will be integrated into existing the structure of MOFEP. The PMU will be headed by an experienced Project Coordinator, assisted by key staff drawn from Risk Management Unit, including a Deputy Project Coordinator, Monitoring and Evaluation Specialist, Finance and Accounting Officer, Procurement Officer, Gender Expert and Administrative Officer. The Bank will support the selection process by providing the Terms of Reference of the respective roles needed to constitute the Project Management Unit.

4.1.2 A review of the capacity of Risk Management Unit revealed that the staff have the necessary skills and competencies to coordinate project implementation. Staff of RMU that are members of the PMU will be trained on the Bank’s procurement and fiduciary procedures to ensure effective execution of the project. The PMU will be responsible for the day-to-day implementation of project and will report to the Undersecretary, Ministry of Finance and Economic Planning. RMU staff are already quite experienced in implementing donor funded projects and projects, including the WFP, Catholic Relief Services and Action Aid.

4.1.3 A coordination mechanism will be established through a Project Steering Committee (PSC) that will include stakeholders involved in DRM related activities in the country. The PSC will include, but not limited to, one representative each from MoFEP, the Ministries of Agriculture, Higher Council of Environment, Defence, as well as Interior. The Undersecretary of MoFEP will lead the PSC, which will meet at least twice a year to provide strategic guidance and support to project implementation. The PMU Coordinator will be the secretary of the PSC.

4.1.4 In the event of a disaster in Sudan, the project will implement a Contingency Plan and Final Implementation Plan (FIP) developed by the Government of Sudan and ARC, with support from other stakeholders in-country. Details of the FIP may include, but are not limited to, the following:

- (i) Information on the list of all items to be procured and possible procurement sources.
- (ii) How cash/goods will move from procurement to implementing partners, and to the targeted beneficiaries?
- (iii) What checks are in place to ensure the cash/goods reach the targeted beneficiaries in a timely manner and can be tracked?
- (iv) How the implementation of the Contingency Plan will be monitored?

4.1.5 **Financial Management (FM):** An assessment of the Ministry of Finance and Economic Planning (MoFEP)’s Financial Management System was carried out by the Bank 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 overall FM risk is assessed as substantial. The proposed FM arrangement including mitigation measures to meet the 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. Annex B4 details

out the financial management, audit and disbursement arrangements of the project.

4.1.6 The project will comply with the Financial and Accounting Procedures Act 2007 and Regulations of 2011, which generally comply with acceptable international standards of accounting. The project will be included in the internal audit plan and audited regularly by the auditors from the Internal Audit Chamber. The National Chamber Accounts will assign a Finance Officer and Assistant Finance Officer with qualifications and experiences, adequate to manage Bank funded operations, in line with proposed staff for the constitution of the PMU under implementation arrangements. The project will use both the Government Resources Planning (GRP) system and excel for accounting and generation of project reports. The flow of funds in Sudan faces the following challenges: (i) High inflation along with volatile foreign exchange fluctuation which causes price escalation especially for contracts in Sudanese Pounds (SDGs); (ii) Delays in submitting justification of the special accounts to the Bank; (iii) Delays in remitting Counterpart funds to the project and /or not providing timely VAT exemptions; and (iv) Banks in Sudan do not have corresponding banks for remitting US Dollar transactions.

4.1.7 The challenges to the flow of funds will be mitigated by: (i) The TSF resources requiring contracts to be denominated into Euros or US dollars and may be paid using the exchange rate prevailing at the time of payment. This may apply for the ADF resources while the Government works with both the IMF and World Bank to address the situation; (ii) Training will be provided during the fiduciary clinic and the project is encouraged to adhere to the instructions in the disbursement letter; (iii) The Government has shown commitment to provide timely counterpart funds (both in-kind and contribution to premium payment) beginning from the first year of implementation and this will be monitored through quarterly progress reports; and (iv) Contracts will be in Euros until the banks in Sudan establish corresponding banks for US dollars. The project will prepare quarterly interim financial reports and submit them to the Bank within 45 days after the end of each quarter.

4.2 Disbursement and Audit

4.2.1 All disbursements under the project will follow the disbursement procedures outlined in the Bank's Disbursement Handbook. The direct payment and special account/revolving fund methods will apply to the project to pay for eligible activities. The other two methods (reimbursement and reimbursement guarantee) described in the Disbursement Handbook may be used when necessary, with prior approval from the Bank. The funds from the TSF are disburseable/payable only in USD and Euro. The project contracts and disbursement applications should be denominated and made payable in USD and/ or EUR for TSF funds. The Bank will issue a disbursement letter stipulating key disbursement procedures and requirements. The GoS will open Special Accounts in foreign currency and an operating account in local currency at bank(s) acceptable to Bank separately for ADF and TSF.

4.2.2 The National Audit Chamber (NAC) or private audit firm, appointed with the involvement of the NAC in accordance with the terms of reference approved by the Bank, will audit the project annual financial statements. The audit report, complete with a Management Letter, will be submitted to the Bank not later than six months after the end of the financial year. The cost of auditing the project by the private audit firm is part of the eligible expenditure for the project. 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.

4.3 Procurement Arrangements:

4.3.1 Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “*Procurement Policy for Bank Group Funded Operations*”, dated October 2015 and following the provisions stated in the Financing Agreement. Procurement will be carried out following Bank Procurement Methods and Procedures (BPMPs), using the relevant Bank Standard or Model Solicitation Documents (SDs) and review procedures.

4.3.2 Procurement Risks and Capacity Development: the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the outcomes have informed the decisions on the procurement regimes 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.

4.4 Monitoring and Evaluation:

4.4.1 The project will provide institutional support and resources to assist the government develop and implement a robust M&E system and a framework to gather data required on key performance indicators. Project monitoring will be undertaken at national and local levels; the PMU will lead in instituting a robust M&E framework. The project will assist PMU to strengthen its monitoring and evaluation capacity activities. The PMU will also prepare and provide project activity, output, and outcome monitoring tools for all relevant national and local level stakeholders involved in project implementation. Collection of timely and accurate data will be useful for the purpose of monitoring the project. A baseline survey will be undertaken to determine the level of existing vulnerabilities before project implementation.

4.5 Governance

4.5.1 Sudan’s governance standards have steadily worsened overtime. As reported by the Ibrahim Index of African Governance (IIAG), Sudan’s scores on political participation, democratic elections, freedom of association and assembly during 2015-2018 deteriorated. The latest Ibrahim Index for African Governance (IIAG- 2020) for Sudan is 32.5 which is far below the African region average score of 48.8. Though still ranking amongst the ten lowest countries as 48th out of 54, Sudan managed to increase its IIAG performance by + 2.5 over the last decade (2010-2019). The Ibrahim report particularly welcomed the establishment of the Transitional Government of Sudan in August 2019 as a significant milestone for the country and Sudanese citizens. Since assuming duty in August 2019, the Transitional Government has been committed to addressing the macroeconomic imbalances and realizing people’s aspirations of shared prosperity. A cabinet of 25 ministers was appointed and they work under the overall guidance of the Sovereign Council (SC). The new Government has been tasked with addressing the socio-economic crisis, especially fuel and bread shortages, high inflation, and lack of employment opportunities as well as fighting corruption to enhance transparency.

4.5.2 After decades of political turmoil, unrest, and civil war, Sudan faces many of the governance and corruption challenges that affect both conflict torn and resource rich countries, including fragile state institutions, low administrative capacity, and weak systems of checks and balances. However, the Transitional Government has recently engaged in a reform program supported by the International Monetary Fund (IMF) requiring the government to exercise additional governance measures to improve accountability and enhance transparency, including

reduction of military spending, reducing off-budget expenditures, and auditing and publishing reports of State-owned Enterprises (SOEs). These measures are expected to positively change Sudan's position in governance ranking in the medium term. In addition, the new government has shown commitment to strengthen governance and intensify the fight against corruption in line with the Constitutional Declaration of 2019. To this end, government is finalizing a new Anti-Corruption Commission Law and have the Anti-Corruption Commission established before the end of the year 2021.

4.5.3 Government is also pressing ahead with efforts to recover stolen assets and prosecution of individuals who obtained these assets through corrupt means as well as ensuring compliance with the new anti-money laundry and combatting tourism regulations. A comprehensive reform initiative targeting SOEs has also been initiated aimed at strengthening SOE oversight, including through transferring oversight responsibilities of all SOEs to the Ministry of Finance and Economic Planning (MOFEP). The government has also emphasized the role of internal auditors. The enhanced role of internal auditors is expected to lead to improved transparency and accountability in the medium-term supported by technical and financial assistance from the international community.

4.6 Sustainability

4.6.1 The Government's commitment and ownership of the project was demonstrated by the high level of involvement during project preparation. The Government is committed to allocating its national budget progressively to finance insurance premiums. The Government is also committed to using part of its TSF (Pillar 1) and subsequent PBA allocations for the implementation of the ADRiFi project and this demonstrates its strong commitment to allocate competing resources to climate risk management. Unlike other ADRiFi country projects that are expected to reach financial sustainability in premium financing within the first phase of the project, this might be too ambitious for Sudan, given its precarious financial situation as a result of economic sanctions and isolation as well as the adverse impacts of covid-19 response by the Government, However, current initiative by IFIs, including the Bank, to address arrears clearance for the country is likely to ease fiscal space for the Government to contribute more from its national budget for premium financing.. It therefore makes sense to allow Sudan a longer to reach financial sustainability.

4.6.2 The use of risk transfer solutions is expected to remove the contingent liabilities from the country's balance sheet and will lead to faster response to severe shocks. By choosing to adopt risk transfer solutions, the country is willing to commit a substantial amount of funds to finance planning, preparation, and implementation of a coordinated default response to disaster, as indicated in the response and recovery plan. The Government is also committed to pre-agreed, coordinated plan with a specific, defined set of actions and precise responsibilities of who undertakes which task to reduce the negative impact of the emerging disaster.

4.6.3 By building institutional and staff capacity regarding disaster risk response, the project will ensure a proper management of disaster risks in Sudan. Additionally, by contributing to premium payment, the Government will ensure ownership over risk transfer. Furthermore, through the elaboration of the disaster risk financing strategy, the country will ensure that financing for DRM is fully integrated into its budgeting process and development agenda. The integration of the project activities into the PMU annual work plans (in line with the organization's mandate) will ensure that activities supported by the ADRiFi are sustained after the lifespan of the project.

4.7 Risk Management

4.7.1 Potential risks identified for the implementation of ADRiFi Sudan may include, but not limited to the following:

- (i) Lack of understanding of insurance product by policy makers in Sudan.
- (ii) Possible change of Government during project implementation or policy reversal may undermine the commitment to progressive contribution to premium payments demonstrated by current Government.
- (iii) Risk of arrears clearance not concluded by IFIs may affect project sustainability, and
- (iv) Basis risk - when the insurance index measurements do not match an individual insured's actual losses – can lead to reputational risk

4.7.2 Various mitigation measures have been proposed to minimize these risks, including sensitization and training of policy makers, capacity building, data collection to support index risk management and elaboration of a disaster risk financing strategy. Details of the risks and proposed mitigation measures are elaborated in Appendix 6.

4.8 Knowledge building

4.8.1 The project is based on an innovative approach that looks at disaster risk management from a holistic point of view. The knowledge generated during the implementation of the project will feed in the overall economic development agenda of Sudan. Development of risk profiles will provide accurate information on the key disaster risks and the general impact to the economy. With the information on cost for responding to the disasters, the government will be able to develop long-term management of disasters and their impacts. The knowledge will be useful in assisting the government to design the best-suit financing models. Sudan is among the countries to be supported by the Bank to implement disaster risk financing mechanism; lessons learnt will inform implementation of the same in other RMCs.

4.8.2 The knowledge and lessons from the project's innovations will be shared at the Annual Joint Sector Review meetings and at other regional sector seminars, including those organised by the Bank and other continental or global disaster risk financing initiatives.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1 Legal instruments

The legal instruments to finance this operation are: (i) Protocol of Agreement between the Republic of the Sudan (the “Recipient”) and the African Development Fund (the “Fund”) for an amount of UA 3.66 million (the ADF Agreement); (ii) TSF Pillar I Protocol of Agreement between the Recipient and the African Development Bank (the “Bank”) and the Fund (the Bank and the Fund together the “Fund”) as Administrators of the TSF for an amount of UA 2.34 million (the TSF Pillar I Agreement); and (iii) Letter of Agreement between the Recipient and the Fund (as Administrators of the ADRiFi MDTF) for an amount of USD Seven Hundred and Fifty Thousand (USD 750,000) (the ADRiFi MDTF Agreement), (together the “Grant Agreements).

5.2 Conditions associated with the Fund's intervention

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

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

B. Conditions Precedent to First Disbursement of the ADF and TSF Pillar I Grants:

The obligation of the Fund to make the first disbursement of the Grants shall be conditional upon the entry into force of the Grant Agreements and the fulfilment by the Recipient, in form and substance satisfactory to the Fund, of the following conditions:

- (i) The execution of a contribution agreement between the Recipient and the African Risk Capacity (“ARC”), under which the ARC confirms the availability of the budget for its in-kind contribution for the implementation of the Programme, on terms and conditions acceptable to the Fund or the submission of evidence that the Recipient has secured financing from alternative sources to cover the financing gap resulting from failure to execute the contribution agreement.
- (ii) The submission of evidence of the appointment or designation of staff for the Programme Management Unit (PMU) within the Executing Agency with qualifications and terms of reference acceptable to the Fund, as follows: (i) programme coordinator; (ii) deputy programme coordinator; (iii) monitoring and evaluation specialist; (iv) financial controller; (v) procurement officer; (vi) gender expert; and (vii) administrative officer.

C. Conditions Precedent to Disbursement of the ADRiFi MDTF Grant

The obligation of the Fund to make the disbursement of the ADRiFi MDTF Grant shall be conditional upon the entry into force of the Agreement and the fulfilment by the Recipient, in form and substance satisfactory to the Fund, of the following condition:

- (i) The execution and delivery of a co-financing agreement on terms and conditions acceptable to Fund or the submission of evidence that the Recipient has secured financing from alternative sources to cover the financing gap resulting from failure to obtain the Co-financing.

D. Other Conditions:

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

- (i) Before disbursement of the Grants, the opening of designated foreign exchange Special Account and a designated local currency Special Account, each for the ADF and the TSF Grants, in a banking institution acceptable to the Fund, for the deposit of part of the proceeds of the Grants;

Recipient Counterpart Contribution

- (ii) The Recipient shall make available an amount not exceeding the equivalent of One Million Seven Hundred Thousand Units of Account (UA 1,700,000) as its counterpart contribution (the “Counterpart Contribution”) towards the costs of the Programme for the entire Programme period.
- (iii) To this end: (a) within three (3) months of the First Disbursement of the Grant or such later date as may be approved by the Fund, the Recipient shall submit to the Fund

satisfactory evidence indicating that the Counterpart Contribution for the first year of the Programme in an amount not exceeding the equivalent of One Hundred Eleven Thousand Units of Account (UA 110,000) has been deposited in an account in a bank acceptable to the Fund; and (b) within the second quarter of each subsequent year, the Recipient shall submit to the Fund satisfactory evidence indicating that the subsequent yearly Counterpart Contributions for the Programme in the amount not exceeding the equivalent of Two Hundred Ten Thousand Units of Account (UA 210,000), Three Hundred Twenty Thousand Units of Account (UA 320,000), Four Hundred Thirty Thousand Units of Account (UA 430,000), and Six Hundred Forty Thousand Units of Account (UA 640,000) respectively has been deposited in an account in a bank acceptable to the Fund.

E. Undertakings:

The Recipient undertakes the following:

- (i) To carry out the Programme in accordance with: (a) Fund's rules and procedures; (b) national legislation; and (c) the recommendations;
- (ii) To deliver to the Fund Programme quarterly reports and any other reports in form and substance acceptable to the Fund;
- (iii) To cause the establishment of a Programme Steering Committee (PSC) composed of various stakeholders involved in disaster risk, which shall be responsible for inter alia project oversight, policy guidance, strategic direction, and review and approval of work plans and budgets. The PSC shall include representatives of among others: (a) ARC Technical Working Group; (b) Ministry of Agriculture and Natural Resources; (c) Higher Council of Environment; (d) Ministry of Defence; (e) Ministry of Livestock and Fisheries; and (f) Ministry of Interior; and
- (iv) To cause implementation of measures to mitigate financial risks associated with Programme implementation and to meet requirements for Programme financial management and adequate to provide, with reasonable assurance, accurate and timely information on the status of the Programme as required by the Fund.

5.3 Compliance with Bank Policies

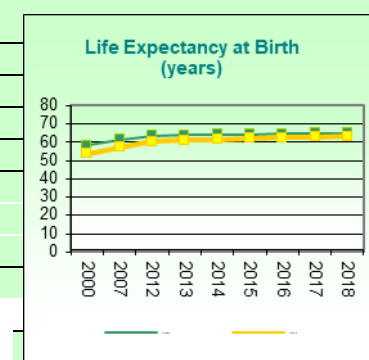
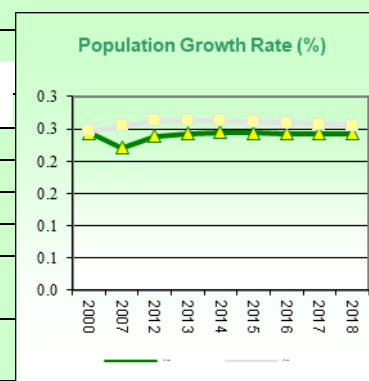
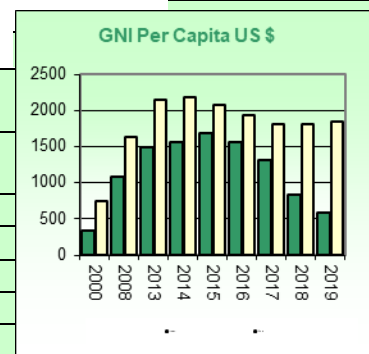
5.3.1 This Programme complies with all applicable Bank policies.

VI – RECOMMENDATION

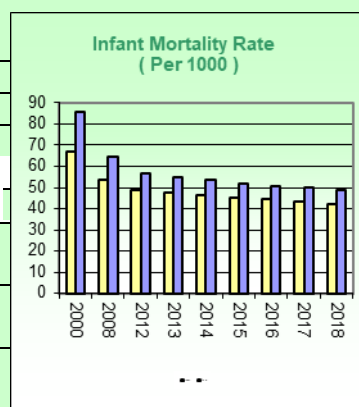
6.1 Management recommends that the Boards of Directors approve the: (i) ADF grant of UA 3.66 million, (ii) TSF (Pillar I) grant of UA 2.34 million; and (iii) ADriFi MDTF grant of USD 750,000 to the Republic of the Sudan for the purposes and subject to the conditions stipulated in this report.

Appendix 1: Macro and Socio-Economic Indicators

	Year	Sudan	East Africa	Africa	Developing Countries
Basic Indicators					
Area ('000 Km ²)	2019	1,879	6,232	30,067	94,797
Total Population (millions)	2019	42.8	365.8	1,306.3	6,384.0
Urban Population (% of Total)	2019	34.7	27.7	43.3	50.3
Population Density (per Km ²)	2019	22.8	62.7	44.5	69.2
GNI per Capita (US \$)	2019	590	981	1 843	5 102
Labor Force Participation *- Total (%)	2019	48.4	73.2	63.2	60.7
Labor Force Participation **- Female (%)	2019	29.1	66.5	54.6	45.8
Sex Ratio (per 100 female)	2019	99.8	99.3	99.8	107.1
Human Develop. Index (Rank among 189 countries)	2018	168
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-18	12.7	34.2	35.6	11.9
Demographic Indicators					
Population Growth Rate - Total (%)	2019	2.4	2.7	2.7	1.2
Population Growth Rate - Urban (%)	2019	3.3	4.6	3.6	2.3
Population < 15 years (%)	2019	40.2	41.9	40.6	27.6
Population 15-24 years (%)	2019	20.4	20.7	19.3	16.4
Population >= 65 years (%)	2019	3.6	3.0	3.5	7.2
Dependency Ratio (%)	2019	77.9	81.3	78.7	54.6
Female Population 15-49 years (% of total population)	2019	24.3	24.4	24.2	25.2
Life Expectancy at Birth - Total (years)	2019	65.3	65.2	63.5	70.8
Life Expectancy at Birth - Female (years)	2019	67.2	67.1	65.3	73.0
Crude Birth Rate (per 1,000)	2019	31.8	33.4	33.0	20.2
Crude Death Rate (per 1,000)	2019	7.1	6.6	8.0	7.3
Infant Mortality Rate (per 1,000)	2018	42.1	39.7	48.7	31.3
Child Mortality Rate (per 1,000)	2018	60.5	56.4	70.2	42.0
Total Fertility Rate (per woman)	2019	4.3	4.4	4.4	2.6
Maternal Mortality Rate (per 100,000)	2017	295.0	433.9	432.3	230.0
Women Using Contraception (%)	2019	17.0	41.5	39.1	61.7
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-18	26.2	11.3	33.4	121.8
Nurses and midwives (per 100,000 people)	2010-18	69.5	82.7	107.8	240.8
Births attended by Trained Health Personnel (%)	2010-18	77.5	55.3	62.9	79.4



Peop. Using at least basic drinking water services (% of Pop.)	2017	60.3	51.3	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	36.6	23.9	40.3	68.5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2018	0.2	2.7	3.4	...
Incidence of Tuberculosis (per 100,000)	2018	71.0	183.4	202.3	154.0
Child Immunization Against Tuberculosis (%)	2018	88.0	86.7	81.4	84.9
Child Immunization Against Measles (%)	2018	88.0	78.9	76.1	85.2
Underweight Children (% of children under 5 years)	2010-17	33.0	20.1	17.5	14.5
Prevalence of stunting	2010-17	38.2	35.1	34.0	23.6
Prevalence of undernourishment (% of pop.)	2017	20.1	27.2	18.5	12.3
Current health expenditure (% of GDP)	2017	6.3	6.2	5.6	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-19	76.8	98.0	100.1	103.6
Primary School - Female	2010-19	74.4	96.1	98.1	102.4
Secondary School - Total	2010-19	46.6	35.8	52.4	71.9
Secondary School - Female	2010-19	47.0	35.8	50.3	71.4
Primary School Female Teaching Staff (% of Total)	2010-18	...	44.4	48.6	62.9
Adult literacy Rate - Total (%)	2010-18	60.7	65.7	66.9	84.0
Adult literacy Rate - Male (%)	2010-18	40.3	74.5	70.8	88.2
Adult literacy Rate - Female (%)	2010-18	56.1	60.2	60.0	79.8
Gouvernment expenditure on Education (% of GDP)	2010-18		4.2	4.7	4.0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	...	13.2	8.0	11.4
Agricultural Land (as % of land area)	2016	...	50.7	38.2	38.3
Forest (As % of Land Area)	2016	...	21.2	13.2	31.9
Per Capita CO2 Emissions (metric tons)	2013	0.3	0.2	1.2	3.5



Sources: AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

last update : October 2020

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Appendix 2: Table of AfDB's Portfolio in the Republic of Sudan

Summary of Portfolio in Sudan as at March 2021

	Long Name	Finance Project	Loan Number	Sector Name	Company Name	Completion date	Net loan UA	Disbursement UA	Disbursement Ratio
1a	DAL GROUP CO LTD(FOOD AND AGRICULTURAL INVESTMENT PROJECT)	P-SD-AAZ-009	2000130019983	Agriculture	African Development Bank	3/14/2025	27,940,570.41	27,940,570.41	100.00
1b	DAL GROUP CO LTD(FOOD AND AGRICULTURAL INVESTMENT PROJECT)	P-SD-AAZ-009	2000130020030	Agriculture	African Development Bank	3/14/2025	25,081,514.92	25,081,514.92	100.00
2	ELNEFEIDI GROUP	P-SD-AAZ-010	2000130021085	Agriculture	African Development Bank	12/31/2025	41,910,855.61	41,910,855.61	100.00
3	SUDAN -ACCELERATING WOMEN ENTREPRENEURSHIP AND ACCESS TO FIN	P-SD-ID0-004	5900155016454	Social	Fragile States Facility	12/31/2027	9,970,000.00	0.00	0.00
4	EMERGENCY ASSISTANCE TO WHITE NILE STATE 2018	P-SD-I00-001	5000199005368	Social	Special Relief Funds	12/31/2021	698,514.26	0.00	0.00
5	POLICY SUPPORT TO PREPARATION FOR DEBT RELIEF	P-SD-KA0-007	5900155013652	Multi-Sector	Fragile States Facility	6/30/2022	660,000.00	256,278.00	38.83
6a	SOLAR (PV) POWERED PUMPING SYSTEM (DESERT-TO-POWER INITIATIV	P-SD-FF0-001	2100155040630	Power	African Development Fund	12/31/2025	266,000.00	0.00	0.00
6b	SOLAR (PV) POWERED PUMPING SYSTEM (DESERT-TO-POWER INITIATIV	P-SD-FF0-001	5900155016163	Power	Fragile States Facility	12/31/2025	14,134,000.00	0.00	0.00
7a	ENABLE YOUTH SUDAN	P-SD-AAZ-006	2100155033617	Agriculture	African Development Fund	6/30/2022	1,250,000.00	1,020,375.00	81.63
7b	ENABLE YOUTH SUDAN	P-SD-AAZ-006	5900155011051	Agriculture	Fragile States Facility	6/30/2022	19,700,000.00	11,398,420.00	57.86
8a	AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT	P-SD-AAZ-008	2100155037466	Agriculture	African Development Fund	12/31/2023	4,000,000.00	91,600.00	2.29
8b	AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT	P-SD-AAZ-008	5900155013802	Agriculture	Fragile States Facility	12/31/2023	24,950,000.00	728,540.00	2.92

9a	WATER SECTOR REFORMS AND INSTITUTIONAL CAPACITY DEVELOPMENT	P-SD-E00-002	5800155001551	Water Sup/Sanitation	Rural Water Supply & Sanitation	12/31/2021	668,840.40	664,760.47	99.39
9b	WATER SECTOR REFORMS AND INSTITUTIONAL CAPACITY DEVELOPMENT	P-SD-E00-002	5900155008851	Water Sup/Sanitation	Fragile States Facility	12/31/2021	15,000,000.00	9,453,000.00	63.02
10	INSTITUTIONAL CAPACITY DEVELOPMENT FOR IMPROVED ACCESS TO WA	P-SD-E00-003	5900155012501	Water Sup/Sanitation	Fragile States Facility	12/31/2022	15,000,000.00	843,000.00	5.62
11a	SUSTAINABLE RURAL WATER SUPPLY AND SANITATION PROJECT IN NOR	P-SD-E00-004	2100155040524	Water Sup/Sanitation	African Development Fund	12/31/2024	22,134,000.00	185,925.60	0.84
11b	SUSTAINABLE RURAL WATER SUPPLY AND SANITATION PROJECT IN NOR	P-SD-E00-004	5800155002251	Water Sup/Sanitation	Rural Water Supply & Sanitation	12/31/2024	1,003,260.60	25,482.82	2.54
12	IMPROVING HEALTH ACCESS AND SYSTEMS STRENGTHENING PROJECT (S)	P-SD-I00-004	5900155013051	Social	Fragile States Facility	6/30/2023	20,050,000.00	7,915,740.00	39.48
13	CAPACITY BUILDING FOR IMPROVED QUALITY OF THE EDUCATION SYST	P-SD-IA0-001	5900155008451	Social	Fragile States Facility	12/31/2021	15,300,000.00	6,696,810.00	43.77
14	BUILDING CAPACITY FOR INCLUSIVE SERVICE DELIVERY (BCISD)	P-SD-IBD-006	2100155029468	Social	African Development Fund	12/31/2021	27,990,000.00	13,645,125.00	48.75
15	TECHNICAL ASSISTANCE & CB TO THE PREPARATION OF FULL POVERTY	P-SD-K00-002	5900155004957	Multi-Sector	Fragile States Facility	3/30/2021	1,973,285.00	1,820,355.41	92.25
16a	SUDAN-COVID-19 EMERGENCY RESPONSE SUPPORT PROJECT	P-SD-K00-007	2100155040866	Multi-Sector	African Development Fund	9/30/2022	18,750,000.00	0.00	0.00
16b	SUDAN-COVID-19 EMERGENCY RESPONSE SUPPORT PROJECT	P-SD-K00-007	5900155016402	Multi-Sector	Fragile States Facility	9/30/2022	1,250,000.00	0.00	0.00
17	RURAL LIVELIHOODS' ADAPTATION TO CLIMATE CHANGE IN THE HORN	P-Z1-A00-019	5550155001401	Agriculture	Global Environmental Facility	4/30/2022	4,947,162.29	1,255,095.07	25.37
18a	SUDAN_DROUGHT RESILIENENCE AND SUTAINABLE LIVELIHOODS IN THE	P-Z1-A00-015	2100155030121	Agriculture	African Development Fund	12/31/2021	10,000,000.00	1,288,000.00	12.88

18b	SUDAN-DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD PROGRAMS	P-Z1-AAZ- 035	2100155028970	Agriculture	African Development Fund	6/30/2023	10,000,000.0 0	4,183,000.00	41.83
18c	SUDAN-DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD PROGRAMS	P-Z1-AAZ- 035	5900155007901	Agriculture	Fragile States Facility	6/30/2023	9,872,840.48	1,386,146.80	14.04
	Totals						344,500,843. 97	157,790,595.12	

Appendix 3: Fragility Assessment

1. Country Context

Sudan is an arid country with typical Sahelian characteristics that affect food availability and access. This situation particularly affects small-scale farmers, who suffer from low rainfall, water scarcity, and a single agricultural season. The country is also regularly subject to recurrent droughts that last two to three years and annual flooding in some areas. In recent years, the severity and frequency of climatic shocks have intensified, particularly affecting the poor and food insecure population, to varying degrees across segments of society, including rural and urban households as well as women and men. The government's ability to address these issues is limited. In addition, there is a need at both the national and state levels to better formulate and implement coherent policies and legislation that address the causes of food insecurity and malnutrition, including systemic inequalities.

Economically, Sudan has been experiencing significant economic instability since late 2017. The monetization of budget deficits, loosening of monetary policy, devaluation of the Sudanese pound, reduction of fuel subsidies, and removal of wheat subsidies have been factors in accelerating inflation. In addition, government institutions have limited capacity to address the emerging challenges of economic instability, climate variability, and conflict. Moreover, just like the rest of the world, Sudan has been confronted with the social and economic impact of the COVID-19 pandemic. The economic impact of COVID-19 includes food inflation, rising unemployment, and falling exports. Limitations on movement exacerbate the economic situation as price of many commodities goes up in many regions of the country. According to the IMF, GDP growth contracted to -2.5% in 2019 (from -2.3% in 2018). The contraction of the services sector, decline in investment in real estate and business services, decline in agriculture due to input shortages (fuel), and political and social instability explain this situation (AfDB). According to the IMF's updated forecast of April 14, 2020, due to the onset of COVID-19, GDP growth is expected to fall to -7.2 percent in 2020 and improve slightly to -3 percent in 2021, subject to the post-pandemic global economic recovery.

Some external factors affect the country's ability to eradicate poverty and strengthen people's resilience, including a relatively unstable regional, political and economic context in which at least five countries bordering Sudan are themselves in conflict or have large numbers of internally displaced people to accommodate. Furthermore, for many years, U.S. sanctions have been one of the main reasons for the country's deteriorating economic performance. Among other things, sanctions have made it almost impossible to use banking networks to send workers' remittances or transfer money related to foreign trade in imports and exports. In addition, sanctions have limited access to spare parts for railroads and aircraft, reduced opportunities for educational exchange, disrupted knowledge transfer, and prevented Sudanese from benefiting from modern technologies.

2. Overview of the Country Resilience and Fragility

The 2020 assessment of Sudan's Country Resilience and Fragility Assessment (CRFA) indicates that the country displays general fragility in all 7 dimensions, while at the same time lacking the capacity sufficient to deal with it. The country faced accrued fragility in the areas of corruption and bribery, insecurity, poverty, regional spillover, youth and gender marginalization, food

insecurity and nutrition, as well as vulnerability to natural disasters. A deep dive into the seven dimension shows the following:

In terms of **Inclusive Politics**, the country still faces enormous challenges despite some improvement noted since the revolution. A transitional government now manages a power-sharing coalition that expects to establish a civilian-led government after 30 years of autocratic rule. Obstacles to inclusion still loom but civilians are cautiously hopeful. Highest-ever voter turnout, active public dialogue, and women's presence in parliament and the protest movement are promising entry points for democratic governance.

On the **Security** front, Sudan's military expenditure – among Africa's highest – helps explain the role of military leaders in the April 2019 regime change. Yet the capacity of Sudan's security institutions is low, as illustrated by the decade-long UN/AU peacekeeping mission tasked to maintain peace and stability in Darfur. Ongoing concerns include organized crime, violence, and general insecurity in Darfur and in the Blue Nile and South Kordofan states. The transitional government represents new opportunities for peacebuilding, contingent on the success of its efforts to provide human security and good governance.

Regarding the **Justice** sector, Sudan's pluralistic legal system operates with moderate efficacy and multiple options for dispute resolution based on Islamic law, civil codes, and customary law. The transitional government has repealed a series of laws used by the former regime to regulate women's behaviour. Access to justice is moderate and the number of cases pending in the courts is low. Judicial independence is restricted, however, and despite the efforts of international humanitarian law to end impunity, senior officials rarely face legal consequences for malpractice. A noteworthy women's rights movement has spearheaded calls for legal reform, hoping to make access to justice more gender sensitive.

The **Economic and Social Inclusiveness** dimension shows that weak economic performance in 2020 pushed the inflation rate to about 81.3% and devalued the Sudanese pound. Although income inequality in some states is very low, poverty is a significant pressure linked to slow policy reforms and a poor business environment that restricts economic opportunities, especially for youth. Recent promises of reform with support expected from the African Development Bank, the IMF, and the World Bank could improve economic performance. The recent lifting of US trade sanctions is also expected to boost exports and increase the resilience of the economy.

Concerning the **Social Cohesion** dimension, years of government crackdown and censorship restricted the activities of civil society, including the media. Rapid transformations are now underway as citizen action grew in 2019 with prominent contributions from women's rights activists, students, and religious leaders. Transport infrastructure provides some domestic mobility and digital connectivity has grown increasingly influential in generating social change. Group-based polarization is low but challenges to the inclusion of minorities persist.

On the **Externalities and Regional Spillover Effects** front, economic diversification is needed to safeguard Sudan from external shocks. The country has cooperative economic relations with neighboring African countries and growing ties to the Middle East, China, and India. Significant spillover effects arise from conflicts in neighboring countries, and unresolved border disputes have occasionally escalated tensions with South Sudan and Egypt, but diplomatic talks have been

initiated. Resolving diplomatic relations and securitizing borders against human trafficking could help to ease growing pressures on the transboundary management of the Nile.

The dimension related to **Climate and Environmental Impacts** indicates that Sudan is vulnerable to the environmental impacts of deforestation, over-cultivation, overgrazing, desertification, and periodic drought. With 80% of the population dependent on agriculture for their livelihood, these adverse events greatly aggravate food insecurity. Water scarcity is a major area of concern because of the ongoing decrease of the annual discharges of the River Nile. Sudan has an uneven record in environmental conservation; it could increase its adaptive capacity by developing sustainably, going forward.

3. Challenges in Disaster Risk Management

Most of the disasters experienced by Sudan are of ecological nature such as droughts, floods, desertification, pest and locust attacks, etc. Drought is one of the major environmental problems that negatively impact food security. Over 80% of the 32 million Sudan's population lives in rural areas and depends on agriculture and livestock.

The status of food security in Sudan is highly affected by its environment and the related environmental problems which, in some cases, reach the stage of disaster. The total area considered as drought prone is about 69,000 square Km and this area produces 90% of the cultivated food crops and 85% of fire wood. Drought has major socioeconomic impacts such as immigration in search of employment and economic opportunities, social disruption as a result of displacement, increased violent conflicts over land disputes, malnutrition and epidemics like malaria, and cholera.

Even if the country manages to avoid major disasters, rising temperatures, rapid desertification, and population pressures deplete water resources at an unsustainable rate, putting resource pressures on the agricultural sector. Despite climbing temperatures, 65% of the population pursue climate-sensitive livelihoods.

The worst crop crisis for small-holder agriculture in 25 years has led farmers to migrate to urban areas which ultimately increased the price of food and sparked the 2018 protests. Resource pressures also exacerbate farmer-herder clashes. For decades, pastoralists and farmers have fought over competing land claims. Although Sudan has a medium susceptibility to environmental risks, 60 to 70% of the population are still highly vulnerable because of the state's lack of capacity to cope with environmental shocks such as drought and floods.

A National Adaptation Plan was established in 2007 but was largely unimplemented. The interim government currently lacks the administrative capacity required to carry through on the plan or to put forth other rapid intervention and contingency plans. CSOs and international organizations such as GEF and FAO have sought to fill the void but there is a need for more integrated long-term adaptation activities rather than short-term, stand-alone projects.


4. Conclusion and Recommendation

Given its abundant natural resources, Sudan has the means to stimulate investments, revive its economy and consolidate a level of development that promotes inclusiveness by reducing key factors of fragility and fostering community resilience. In that regard, large-scale irrigated

agriculture could create jobs and increase national income and foreign exchange earnings. Non-food agribusiness can accelerate growth by developing value chains that diversify the economy, thereby offsetting the loss of oil revenues.

To achieve the above goals, Sudan has, inter alia, to boost capacity building efforts to manage natural resources and disasters; improve collaboration at national, regional and international levels on meteorological data management and strengthen institutional capacity of the recently created Higher Council for Environment and Natural Resources (HCENR).


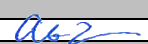

Appendix 4: Environmental and Social Conformity Note

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)	 AFRICAN DEVELOPPEMENT BANK GROUP
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A. Basic Information¹			
Project Title: Africa Disaster Risk Financing Program (ADRFi) Sudan		Project "SAP code": P-SD-A00-008	
Country: Sudan	Lending Instrument ² : DI <input checked="" type="checkbox"/> FI <input type="checkbox"/>	CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>	
Project Sector: Agriculture	Task Team Leader: Nartey, Cecil		
Appraisal date: March 2021	Estimated Approval Date: June 21 st , 2021		
Environmental Safeguards Officer: xxxxxx			
Social Safeguards Officer: Kingsley EJIM			
Environmental and Social Category: 3	Categorization date: 02/11/21	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, as per the country's legislation, please explain why: NA.	

B.2. Compliance monitoring indicators	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>

C. Clearance			
Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?			
Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			
<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	xxxxx		
Social Safeguards Officer:	Kingsley EJIM		February 11th, 2021
Task Team Leader:	Cecil NARTEY		February 11th, 2021
<i>Submitted by:</i>			
Sector Director:	Atsuko TODA		February 24, 2021
<i>Cleared by:</i>			
Director SNSC:	Maman-Sani ISSA		February 24, 2021

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

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

Appendix 5: Map of Sudan



Appendix 6: Risks and Mitigation Measures

Nature of Risk and Description	Risk Level	Mitigating Measures	Risk Owner
Lack of understanding of insurance product by policy makers	Medium	The project will raise awareness of the importance of taking ex-ante disaster risk management measures such as sovereign insurance, while strengthening the institutional framework for disaster risk management and stimulating systematic and sustainable financing of risk management in the country. In addition, advocacy and sensitisation of decision-makers will facilitate understanding of the ARC mechanism and its ownership at the country level.	<ul style="list-style-type: none"> • Government of Sudan
Change of Government during project implementation or policy reversal may undermine the commitment to progressive contribution to premium payment demonstrated by current Government.	Medium	Capacity building of Government Ministries coordinating the implementation of disaster risk management activities, sensitizing of parliamentarians and strengthening of stakeholder institutions will contribute to mainstreaming DRM activities and enhanced governance that will minimize the risk of policy change in Government or its impact.	<ul style="list-style-type: none"> • AfDB and ARC
Risk of arrears clearance not concluded by IFIs may affect project sustainability.	Low	This is an external risk to the project, however, the Bank's efforts in arrears clearance will minimize this risk in its entirety.	<ul style="list-style-type: none"> • AfDB
Basis risk - when the index measurements do not match an individual insured's actual losses – can be associated with reputational risk	Low	Efforts will be made to improve the quality of the data used to determine the index and to reduce the basic risk. Funding for agricultural and food security surveys will help to address the lack of field data. In addition, the country's capacity to understand insurance products and their inherent limitations will be strengthened. The financing strategy for disaster risk management will ensure that insurance products are part of a pool of instruments that the country and beneficiaries could use to ensure better risk management, including residual risks (i.e. risks not covered by sovereign insurance).	<ul style="list-style-type: none"> • ARC and Government