

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: 102657

Project Name	Sudan Social Safety Net Project
Region	AFRICA
Sector	Other social services (100%)
Project ID	P148349
Borrower(s)	Ministry of Finance and Economic Planning
Implementing Agency	Ministry of Welfare and Social Security (MoWSS) and Community Support Unit (CSU)
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Key development issues and rationale for Bank involvement

Sudan has experienced dramatic political, social and economic changes in the last 15 years. These changes included the advent of significant oil exports beginning in 1999, a cessation of the country's long-running civil war in 2005 through the Comprehensive Peace Agreement (CPA), and the secession of South Sudan. Since Sudan started exporting oil in significant amounts, the size of the country's economy grew more than five times from US\$12.3 billion in 2000 to US\$65.6 billion in 2010 (in current US\$). Per capita income, a summary measure of the living standard of average citizens, increased from US\$1,670 to US\$2,930 (in current US\$ PPP) over the same time period. The economic expansion also brought increased investment. The World Bank Group 2014-2015 Interim Strategy Note (ISN) shows that Sudan invested a significant share of its oil wealth in infrastructure and utilities. The Sudanese road network grew by 80 percent between 2000 and 2008, and electricity generation doubled over the same period. This strong economic growth was accompanied by an expansion of the public sector. Total government spending grew from 11 percent of GDP in 2000 to 17 percent of GDP in 2009 (not including spending by local governments from own revenue sources).¹

Sudan rose to lower middle income status in the last decade due to oil wealth, but the country continues to be marked by deep poverty and inequality. Sudan's economic development process has historically been unbalanced and disproportionately concentrated in Khartoum and its surrounding states. The average rate of poverty incidence, based on the 2009 National Baseline Household Survey, is estimated at 46.5 percent, indicating that some 15 million people are poor (approximately 2.46 million households), 20 percent of the population is extremely poor, and 70 percent is vulnerable.² The poverty rate is significantly higher in rural areas (58 percent) than in urban areas (26 percent), and varies markedly across states, from 26 percent in Khartoum State, to above 60 percent in peripheral states such as North Darfur, South Kordofan, and Red Sea. This polarization and vast divergence in economic fortunes in Sudan is at least in part shaped by widespread conflicts and civil war, particularly with South Sudan, but also in Darfur and in Eastern states. The legacy of persistent disparities in wealth between states not only presents challenges to growth and shared prosperity, but also remains a source of conflict and political instability.

In 2011, the peaceful secession of South Sudan split the country in two, reducing its natural resource base and resulting in multiple economic shocks. Even before the secession of South Sudan, the Republic of the Sudan had a large debt burden and fiscal deficits, and the economic growth model concentrated on oil wealth to the detriment of

¹ Data from the World Bank's Sudan data bank: <http://data.worldbank.org/country/sudan>.

² International Monetary Fund (December 2014). Country Report No. 14/264. Washington DC.

other sectors like agriculture and livestock.³ The loss of oil revenue (which accounts for half of government income and 95 percent of exports), caused deep macroeconomic and fiscal challenges.⁴ Sudan experienced double-digit inflation and Bank data indicates the economy contracted by 3.3 percent in 2011 and by a further 11.1 percent in 2012. Between 2011 and 2013, the country was faced with an average yearly negative GDP growth of 6.5 percent, with a modest recovery in more recent years (GDP estimates show a growth of 2.6 percent in 2014, and expect a continuation of this trend with slightly higher growth rates for 2015 and 2016). However, fiscal adjustments to accommodate depleted revenue sources, including declining oil prices in the international markets, have had a profound impact on investments and development spending on basic social services that are essential for the poor.

The GoS implemented a reform package designed to stem the deterioration of its fiscal balance. In June 2012, the Government of Sudan (GoS) adopted an exchange rate devaluation of about 66 percent, tax increases, a reduction in fuel subsidies, and cuts in non-priority public expenditures.⁵ The reduction of fuel subsidies is expected to have particularly impacted both directly and indirectly Sudan's population, including the poor and most vulnerable. It is estimated that about 1.7 million Sudanese have fallen into poverty due to the combined direct and indirect effects of the reform measures adopted by the GoS.

To mitigate the potentially negative effects of the fiscal and subsidy reforms, the GoS created the Social Initiatives Program (SIP). The SIP is a comprehensive set of social protection measures that present a unique opportunity to establish the foundation of a modern social protection system that can help stabilize the country's response to shocks and alleviate poverty. Compensating the bottom 60 percent of the population (a rough estimate for the poor and vulnerable) for both direct and indirect impacts of the fiscal and subsidy reforms would cost up to SDG883 million (approx. US\$150 million in total), which is about 15 percent of the savings of the above mentioned reforms.

The achievements of the SIP to date are remarkable. The SIP has the commitment from the highest levels of government, as evidenced by the large budget allocation it receives in a tight fiscal situation. An interesting feature of the SIP is its use of specialized institutions to deliver services, thus leveraging established institutional capacity and connecting the services and systems of different entities, such as the Zakat Chamber (cash transfers and complementary programs) and the SSDB (cash transfers and micro-finance). Finally, the SIP uses the same targeting instrument and the same Zakat beneficiary registry for several of its programs (CT Program, NHIF, and micro-financing programs). In combining all these important social protection initiatives, the MoWSS has managed to create the initial outline of a social protection system, which has the potential to combine prevention, protection, and promotion for the poor.

However, the SIP has also encountered challenges, many of which are common in safety nets programs. The beneficiary selection was started by the Zakat Chamber in 2011 and is generally seen as having substantial inclusion and exclusion errors. Payments to beneficiaries have also been made in an unpredictable way, depending on the MoWSS capacity and cash flow. In addition, financial reconciliation has been a challenge, particularly for the payments made through the Zakat Committees. Furthermore, the MoWSS, as the SIP's oversight agency, has limited resources and capacity for monitoring and evaluation (M&E) of the programs. Finally, the GoS is worried about dependency of beneficiaries on the cash transfers, and would like to further explore complementary measures that can enhance the productive capacities of beneficiaries. The Bank will undertake a recertification of 70,000 households to test a new PMT questionnaire that can help improve targeting, will provide technical support to MoWSS, and generally work towards a more efficient use of resources

In light of the challenges detected, the GoS requested technical assistance from the Bank to further improve the SIP. In line with ongoing support from the Bank and the Bank's past engagement in the sector, the GoS asked for support to develop a SSN that would provide the building blocks for strengthening the social protection system and bolster institutional capacity at the MoWSS to provide targeted and efficient cash transfers. In addition, the GoS requested additional support to design complementary measures to address issues of beneficiary dependency of the SIP.

³ Sudan is classified as one of 38 Heavily Indebted Poor Country (HIPC) by the IMF and the World Bank, due to its high poverty levels and debt overhang.

⁴ Data from the World Bank Group Sudan country profile: <http://www.worldbank.org/en/country/sudan/overview>.

⁵ World Bank (2013). Republic of the Sudan 2014-2015 Interim Strategy Note. Washington DC.

The SSN Project builds on the previous and ongoing support in social protection. It builds on the ongoing dialogue and support from the Bank under the Externally Financed Output and integrates various elements of the Bank's past engagement in the sector. The SSN Project will support the GoS's efforts to strengthen the social protection system by developing the building blocks of an MIS platform, reviewing and strengthening the targeting process, and improving the institutional capacity of the MoWSS and the CSU to provide targeted and efficient cash transfers and complementary measures. Furthermore, the SSN Project will pilot a Productive Safety Net (PSN) approach to develop tailor-made options for addressing the underlying concerns of dependency by building resilience at the community level and access to livelihood enhancing opportunities at the household level for beneficiaries.

The proposed SSN Project supports the GoS in improving the effectiveness of the core elements of the government-led SIP. This will be achieved through: (i) improving the MoWSS's and the CSU's institutional and implementation capacity; (ii) introducing the building blocks of a robust MIS platform for program management; (iii) supporting the recertification process of the SIP beneficiaries and including a gender variable to record whether households are headed by a male or female; and (iv) piloting a productive cash for work approach that includes elements of safety net graduation, linking cash transfers to work requirements that generate productive assets.⁶ The GoS has requested the Bank's support to pilot this second generation safety net modality in Sudan and suggested the CSU to be the PSN Pilot implementing agency, given the institution's vast experience with community development and Bank financing. By combining the activities of the MoWSS and the CSU, the proposed SSN Project also contributes to greater coherence and building of synergies among institutions, programs, and approaches.

2. Proposed objective(s)

The PDO is to strengthen the capacity of the MoWSS to transparently and effectively implement the CT Program, and to pilot a PSN approach for poor households.

3. Preliminary description

The proposed SSN Project adopts a two-pronged approach. It does so by: (i) strengthening the MoWSS's capacity to implement the government-led safety net program; and (ii) piloting a second generation PSN approach that effectively complements the CT Program in the medium term, with potentially positive effects not only on household consumption and income (through cash transfers), but also on building the productive asset-base of households. This is reflected in the two components of the Project: (i) strengthening the implementation of the CT Program; and (ii) piloting the PSN.

Component 1: Strengthening the implementation of the MoWSS's CT Program by putting in place key building blocks of a national safety net (\$3.12 million, of which US\$3.00 million Bank financed and US\$120,000 GoS contribution)

Component 1 aims to improve the effectiveness of the MoWSS's CT Program through three main areas of intervention, summarized below. This component will finance technical assistance for the MoWSS, training, goods and services, and incremental operating costs (e.g., for monitoring of programs).

Strengthen the institutional capacity of the MoWSS (US\$0.92 million). This area will enhance the institutional capacity of the MoWSS through technical assistance and provide the building blocks for training and capacity-building activities. To this end, the component will: (i) review, update, and document the processes and procedures for the SIP program; (ii) improve the SIP's FM and cash payments process to beneficiaries; (iii) develop complaints and grievance redress procedures for targeting and payments under the CT Program; (iv) develop an evaluation

⁶ Ethiopia's PSN managed to graduate millions of former beneficiaries from the program after 5 to 10 years of implementation thanks to its productive focus and combination of cash for work activities with household asset-building. In addition, this type of program has shown to build resilience against climate change, a topic highly relevant in the Sudanese context. See "Coping with Change: How Ethiopia's PSN & HABP are building resilience to climate change," a publication produced by LTS for the Bank.

strategy and implement selected evaluations/assessments; and (v) provide assistance for the implementation of the MoWSS's advocacy and communications strategy to strengthen outreach to beneficiaries and key stakeholders under the CT Program. The Project will provide adequate funding for a Project Coordination Unit (PCU) located within the MoWSS. The PCU provide advice on critical policy issues, enhancing the efficiency of Project coordination, implementation and management, and strengthened quality control. As part of fostering sustainability and integrating transfer of knowledge to MoWSS staff, the PCU will consist of GoS seconded staff and external consultants with the necessary qualifications to enhance its capacity to manage Project coordination, fiduciary aspects and M&E. The incremental operating costs of the unit as well as the financial audits for the Project will also be financed under Component 1. Training and capacity building will be available for the MoWSS and other relevant stakeholders to enhance coordination, communication, and integration of SIP programs.

Establish the building blocks of an MIS for the CT Program within the MoWSS (US\$1.64 million). This area will fund the building blocks of an integrated MIS to support the functional processes of the CT Program through technical assistance, software development, and technological infrastructure (hardware, connectivity, etc.). The newly created MIS for the CT Program will include a centralized architecture, with a centralized database, and a web-based system that will function at all offices of MoWSS (federal and state) and implementing agencies. MoWSS staff will be trained to use the new MIS, which will integrate information management, rationalize customer service processes and protocols, and increase user friendliness and accessibility of information. Network connectivity will be provided as part of the program to federal offices of the Zakat Chamber, the NHIF, and the CSU, and to federal and state offices of the MoWSS. MoWSS federal and state offices will also be equipped with computing equipment and necessary peripherals to use the integrated MIS effectively. Technical assistance will be provided for software development and data processing to establish a CT Program beneficiary registry. Datacenter hosting services will be provided for centralized hardware, connectivity, storage, and database administration.

Strengthen the targeting system of the CT Program (US\$0.56 million). This area will contribute to improve the targeting system of the CT Program and initiate the recertification process of the current beneficiaries. Specifically, this subcomponent will support: (i) the development of an updated Proxy Means Test (PMT) formula,⁷ questionnaire, and cut-off points to be used to determine categorization; (ii) the technical assistance to develop operational processes and procedures for the implementation of the targeting system, including the mechanisms for field data collection, data input and poverty categorization, monitoring (core indicators, spot checks, etc.), case management mechanism for submitting appeals and complaints as well as for information update, and data sharing protocols; (iii) financing the recertification process (re-targeting) of 15 percent of the current beneficiary households, prioritizing the areas where Component 2 will be implemented, and using a community-based targeting and PMT approach; and (iv) the development and implementation of the technological infrastructure to support the targeting processes. This last area of intervention includes: (i) developing the software to use Computer Assisted Personal Interviewing (CAPI), which should replace the traditional paper-and-pen methods by using tablets during data collection; (ii) tablets connectivity (once information is gathered at remote geographic locations, it will be transmitted to a central location through a wireless network); (iii) implementation of a data center that will serve as a data storing repository; and (iv) implementation of a targeting MIS module that will enable data validation and processing, as well as the automated application of the new PMT formula and categorization of households. The operationalization of the process will be the responsibility of the Zakat Chamber and the MoWSS through the PRCC, which will play a monitoring and supervision role. Following the initial support provided through the Project to recertify the 15 percent of beneficiaries, it is anticipated that the remaining 85 percent will be financed by the GoS as part of the second phase of recertification. The GoS does not currently record whether households are male or female headed and does not have a gender criterion for household selection. A gender mainstreaming strategy will be implemented in order to incorporate gender information during the recertification processes.

Component 2: Piloting a PSN Approach (US\$1.96, of which US\$0.5 million Bank financed and US\$1.46 million GoS contribution)

As part of the longer-term reform agenda of the SSN system in Sudan, this component will finance a pilot cash for work program in combination with livelihood services. This is modeled after the PSN projects

⁷ The term "Proxy Means Test" is used to describe a situation where information on household or individual characteristics correlated with welfare levels is used in a formal algorithm to proxy household income, welfare, or need.

established in the region, particularly Ethiopia's PSN program. The PSN Pilot in Sudan will constitute an important aspect of the SSN framework by supporting resilience building at the community level and providing access to livelihood-enhancing opportunities for beneficiaries. The pilot will provide the poorest households of selected communities with temporary employment in public works during the lean season (between January and July), skills training, and access to financial services by connecting them to financial service providers.

The PSN Pilot will be implemented by the CSU in coordination with the MoWSS. Beneficiaries will be chosen based on a combination of community pre-selection and the application of the PMT that will be developed under Component 1. The pilot will generate lessons for a gradual transformation of the current CT Program into a broader SSN system with a combination of unconditional cash transfers, conditional cash transfers, and livelihood support activities.

The PSN Pilot will provide short-term income and employment opportunities for poor households. It will create social and productive assets through the work of beneficiaries. Possible activities may include soil and water conservation, small-scale irrigation, and social and economic infrastructure. Subprojects will be determined locally using a community-based participatory planning process and the community development experience the CSU obtained during the implementation of the CDF Project. It is envisaged that the majority of activities will focus on the introduction and further enhancement of improved land use management practices to create an enabling environment for more productive livelihoods. In addition, the component will contribute to improved access to education and health services through the construction and/or upgrading of education and health facilities.

The ultimate aim of a PSN approach is consumption smoothing through resource transfers and promoting livelihood options for households to gradually transition out of poverty. This component will therefore engage with households in their productive activities with the aim to transform their current productive systems by diversifying income sources, improving productivity, and increasing productive assets. The PSN Pilot will bring the rural extension and financial services together to help households strengthen their existing productive activities or start new income-generating activities. Eligible households will be supported with demand-driven technical assistance to enhance their ability to identify viable on- and off-farm income generating activities to improve access to financial services, to strengthen input sourcing and production, and to increase access to markets and, where possible, employment opportunities. Central to the engagement model with the households is the step-by-step development of a household-level business plan starting with basic skills and financial literacy training and leading up to investments in the chosen income-generating activity.

The PSN Pilot will provide adequate financing to introduce the different building blocks of the PSN approach. This includes funding for: (i) participatory community-level planning; (ii) cash for work subprojects; (iii) livelihood training activities; (iv) M&E; and (v) technical assistance, communications, and institutional capacity-building activities. The pilot will be implemented in North Kordofan as agreed between the MoWSS and the CSU. Subject to availability of funds and following a six-month review of the North Kordofan pilot, the PSN may be scaled up to other states: South Kordofan, West Kordofan, Blue Nile, Kassala, and Red Sea.

The selection of North Kordofan to conduct the pilot is because of the comparatively strong capacity of stakeholders at the state and local level, and particularly due to the strong comparative capacity of the CSU in the state, underpinned by supportive State Government commitment. The CSU State Office in North Kordofan has currently a well-trained and experienced team, headed by the State Coordinator, supported by a Civil Engineer, a Finance Officer, a Procurement Officer, a Secretary, and 40 trained Community Facilitators (all of which are university graduates). The CSU has experience of implementing labor-intensive public works in the State and is capable to immediately begin operations. The State Government has committed to supporting the Project financially. A preliminary communications assessment study was successfully completed in the state and an introductory PSN assessment workshop showed a high level of preparedness of state actors. Furthermore, North Kordofan is one of the states with a high poverty level, as evidenced by the 2014 Poverty Map, standing at 57 percent of the population out of 8.9 million inhabitants in the state (or 5.1 million poor people),⁸ and has the highest income inequality in the country (as measured with Gini coefficients).⁹

⁸ North Kordofan is the third biggest state of Sudan in terms of population.

⁹ For additional information refer to the World Bank's poverty assessment in Sudan (Annex 4).

Technical assistance by the Bank is being provided during the course of Project preparation and implementation drawing on best global practices. Lessons learned from the PSN Pilot (through a qualitative evaluation) could allow for rapid scaling up of the program and the design of exit and graduation strategies over time. The PSN Pilot project follows the CGAP-Ford Graduation Model with the aim of smoothening household consumption and contribute to poverty reduction. The core concept of the CGAP-Ford Graduation Model is combining social safety net transfers, livelihood activities, and access to microfinance services in a sequential way to create pathways for the poorest out of extreme poverty. The graduation model is based on the proven success of BRAC’s Targeting the Ultra-Poor (TUP) Program currently being applied in rural Bangladesh. Financing for an evaluation of the pilot is included in the component design.

4. Safeguard policies that might apply

Community engagement in safeguards. The Project seeks to facilitate and strengthen the engagement of communities in the proper targeting of vulnerable households for receiving cash transfers and participating in the PSN Pilot. This will be done through a socially sensitive and inclusive mobilization process that will underpin the planning and decision-making at the community level. Furthermore, communities will participate in the planning, implementation, and oversight of social and economic infrastructure to be created as part of public works entertained. Effective communication will ground the community engagement process. Clearly defined and communicated Project processes, roles and responsibilities, transparency, and accountability arrangements (including a grievance redress mechanism) will support smooth Project implementation.

Small-scale public works. Given the participatory approach to the selection of activities and their small-scale nature, there will be no large-scale, significant, and/or irreversible adverse impacts. However, there is the potential for the public works to generate negative environmental and social impacts. The Environmental and Social Management Plan (ESMP) and checklist has been prepared, which will guide the implementation process and will help strengthen the capacity of the implementing agency and ensure safeguards. It is also possible that implementation of Component 2 could require small-scale land acquisition, re-location, and/or restriction of access to sources of livelihoods; thus, Operational Policy/Business Policy (OP) 4.01 and 4.12 are triggered. Since the exact locations and the number of people to be impacted are not known at this time, an RPF has been prepared. Social and environmental impacts are expected to be localized, temporary, and easily mitigated. Environmental impacts will be mitigated through sensible construction management techniques.

Given widespread gender discrimination, the processes used to deliver the Project benefits will be inclusive, the staff will be sensitized, and inclusion of and impacts on women will be measured. The project will collect gender-disaggregated data.

Consultations and disclosure. The ESMP and the RPF reflect extensive consultation and have been publicly disclosed both in Sudan and at the Bank’s Infoshop prior to project appraisal. During the preparation of the ESMP and the RPF, the CSU team will conduct extensive public consultations to take into account the opinions of the local population about the Project’s design and potential impact, and will provide all relevant materials in a form and language(s) that are understandable and accessible to the groups being consulted in a timely manner prior to the meetings.

5. Tentative financing

Source:	(\$m.)
Borrower	1.58
Sudan Multi-Partner Trust Fund	3.5
Total	5.08

6. Contact point

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