



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 18-Dec-2020 | Report No: PIDA31176



**BASIC INFORMATION**

**A. Basic Project Data**

Country Sudan	Project ID P176154	Project Name Additional Financing - Sudan Family Support Project	Parent Project ID (if any) P173521
Parent Project Name Sudan Family Support Project	Region AFRICA EAST	Estimated Appraisal Date 27-Dec-2020	Estimated Board Date 14-Jan-2021
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Republic of Sudan	Implementing Agency Ministry of Finance and Economic Planning

Proposed Development Objective(s) Parent

The objective is to deliver cash transfers and improve safety net systems to support the Sudanese families in the Recipient's territory affected by expected economic reforms and other short-term shocks.

Components

- Component 1: Provision of Cash Transfers
- Component 2: Establish Delivery Systems and Build Institutional Capacity
- Component 3: Project Management, Monitoring and Evaluation, and Learning

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	420.00
<b>Total Financing</b>	420.00
<b>of which IBRD/IDA</b>	210.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	210.00
IDA Grant	210.00



**Non-World Bank Group Financing**

Trust Funds	210.00
Miscellaneous 1	210.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

**B. Introduction and Context**

Country Context

- 1. To address the need to stabilize the pressing macroeconomic and fiscal deficit challenges, the Government of Sudan (GoS) has set an ambitious agenda to tackle inflation, reform energy subsidies, clear arrears to multilateral financial institutions (MFIs), and adopt policies to ease doing business and incentivize foreign direct investment.** These measures are expected to include exchange rate liberalization and reallocation of public resources away from commodity subsidies and tax exemptions toward social and development needs. The new Government of Sudan (GoS) has proposed a program, originally planned for launch in early 2020, to phase out fuel subsidies by mid-2021 and simultaneously liberalize the exchange rate. An already deteriorating economic situation in Sudan has affected vulnerable people’s capacities to cover basic needs. Simultaneously, the Government has limited ability to reallocate domestic financing to health and social protection sectors without reductions in energy subsidies and current tax exemptions. The deteriorating economic situation demands that the Government acts quickly to address the need for reforms and supports the high proportion of the population vulnerable to that deterioration.
- 2. More recently, challenges facing most households have been compounded by the economic shutdown to mitigate the effects of the Coronavirus Disease 2019 (COVID-19) pandemic in some regions of Sudan.** COVID-19 is posing a significant health emergency and will create an additional shock to an already shrinking economy. Sudan has a health care system with extremely limited capacity. Stringent measures are needed to reduce the exponential growth of the epidemic. It is estimated that the mitigation measures undertaken in Sudan will contribute to an 8.2 percent loss in gross domestic product (GDP) in 2020. The COVID-19 impact accentuates the urgency for the economic reforms. It is also essential to renew the social contract and build confidence in government systems to deliver. Therefore, the GoS has requested support from the donor community to establish the Sudan Family Support Program (SFSP) for social impact mitigation to provide cash transfers to 80 percent of the population, that is, to 32.5 million individuals, with an annual cost of US\$1.9 billion, to mitigate the economic shock caused by the epidemic crises and the pressing economic adjustment that the GoS is expected to undertake. The SFSP would provide 12 months of consistent support to each beneficiary, so that with scale-up and scale-down, the program will continue for 24 months. As these adjustments go into effect, the GoS is expected to take on an increasing role in financing the program, thus transitioning recertified eligible beneficiaries to longer-term permanent social safety net (SSN) support.



- 3. There is an urgent need to restart the progress on the economic reform program as a key part of a process to clear arrears to MFIs and reintegrate Sudan into the global economy.** Sudan has an estimated debt of US\$56 billion, of which 85 percent is in arrears as of the end of 2016. Sudan's arrears to the World Bank, International Monetary Fund (IMF), and African Development Bank were respectively US\$1 billion, US\$1.3 billion, and US\$0.4 billion as of end-May 2019. Arrears clearance to international financial institutions will need to be synchronized with highly indebted poor countries (HIPC) and Multilateral Debt Relief Initiative debt relief, including substantial relief from non-Paris Club creditors (the largest of which are China, Kuwait, and Saudi Arabia), to ensure that the stock of remaining debt can be sustainably managed. Debt relief for Sudan under HIPC would be unprecedented in size relative to other recipients. The timing to reach an HIPC decision point depends on several steps, including satisfactory implementation of an IMF program for a minimum of six months. Finally, the GoS will receive from the World Bank a Pre-Arrears Clearance Grants (PACGs) to support SFSP, through a special allocation approved by the World Bank's shareholders.

#### Sectoral and Institutional Context

- 4. The deteriorating economic situation in Sudan has affected much of the population's abilities to cover basic needs.** It is estimated that over 50 percent of the population was under the poverty line (of US\$3.60) before the COVID-19 outbreak, compared to the reported 36.1 percent in 2014/2015. Poverty in Sudan, including geographic dispersion, severity of deprivation, and its direct links with the fragility, conflict, and violence (FCV) context, present significant challenges in both the provision of and access to basic services. Yet, implementation of economic stabilization measures is the only sustainable pathway to create fiscal space for investment in essential services in the context of significant indebtedness and lack of foreign direct investment to generate growth. This makes the proposed program a critical element to generate the buy-in to the economic reform program through cushioning the effects on a large part of the population. Sudan receives significant humanitarian assistance from United Nations (UN) agencies for internally displaced persons (IDPs), refugees, and conflict-affected segments of the population. The GoS has been operating an SSN program which provides cash transfers of 450 Sudanese Pounds (SDG) (about US\$8 at the official exchange rate) per family per month to 500,000 poor and vulnerable families in all 18 states. There is a broad agreement in society, the Government, and among the development partners (DPs) that a large-scale cash transfer program, that is the SFSP, needs to be rapidly put in place to accompany implementation of reforms.

#### C. Proposed Development Objective(s)

##### Original PDO

- 5. The PDO Statement of the original project will remain unchanged, as:** to deliver cash transfers and improve safety net systems to support the Sudanese families in the Recipient's territory affected by expected economic reforms and other short-term shocks.

##### Current PDO

- 6. PDO remains unchanged.**

##### Key Results

- 7. The PDO level Indicators are grouped according to the PDO's two main parts, namely:**



- PDO Part 1: to deliver cash transfers to Sudanese families affected by expected economic reforms and other short-term shocks, measured by:

- (a) Number of families receiving cash/income support;
- (b) Percentage of families headed by females, receiving cash/income support;
- (c) Number of beneficiaries of SFSP;
- (d) Percentage of female beneficiaries of SFSP.

- PDO Part 2: to improve Sudan's safety net systems, measured by

- (e) National Registry Platform that functions across the country is strengthened.

#### D. Project Description

- 8. The proposed additional financing (AF) would scale up project activities to respond to emergency needs.** The PDO would remain unchanged. The project components and activities would remain the same as described in the project appraisal document (PAD) for the original project, but would be expanded to include additional geographical areas for coverage by the cash transfers. Additional funding would also be provided to component 3 for project management, monitoring and evaluation, training, and coordination. The Results Framework will remain the same, but will be adjusted to update the targets for some PDO and intermediate results indicators that are affected by the increased program coverage.
- 9. The total amount of the AF would be US\$420 million, of which US\$210 million from the IDA PACG, and US\$210 million from the STARS MDTF.** The AF will support the SFSP in its expansion towards full scale, and would contribute to the three original components. These are Component 1: Provision of Cash Transfers; Component 2: Establish Delivery Systems and Build Institutional Capacity; and Component 3: Project Management, and Monitoring and Evaluation, and Learning. With the AF, the project would be able to fund the planned Phase 2 of SFSP<sup>1</sup>, which the original SFS Project could not cover because of insufficient financing envelope. Under a streamlined scenario, the AF would cover an additional 13 million individuals (equal to an additional 2.3 million families) in new geographical areas. With the beneficiaries covered by the original financing, the total number of beneficiaries for the SFS Project (original plus AF) would reach 24.3 million individuals, or 4.3 million families.
- 10. The original project supports Phase 1 of GoS's SFSP and has been appraised at US\$400 million.** This Phase 1 amount is a combination of US\$200 million from contributions of donors to the Sudan Transition and Recovery Support (STARS) Multi-Donor Trust Fund (MDTF) and a US\$200 million Pre-Arrears Clearance Grant (PACG) from the World Bank Group (WBG). By the time of circulating the SFSP Project package to the World Bank Board of Executive Directors (the Board), the funds actually received by the STARS Trust Fund from donors were less than US\$200 million. After approval of the project by the World Bank Board of Executive Directors, two grant agreements were signed for the SFS Project (Phase 1 of the SFSP). The Grant in the amount of SDR 141 million (equivalent to USD 200 million) (Grant No. D735-SU) financed from a PACG to the Republic of Sudan for the SFSP was signed on September 26, 2020. Following Board approval, Management approved an additional grant in the amount of US\$170 million financed from the STARS MDTF to the Republic of Sudan for the SFSP (Grant No. TF0B4259). The full appraised amount of the original project (for Phase 1 of the SFSP) was allocated to finance the cash transfer component of US\$350 million, the institutional building component of US\$40 million, and the monitoring and evaluation component is US\$10 million.
- 11. Component 1: Provision of Cash Transfers (Original Total US\$350 million; AF US\$ 415 million; Total US\$ 765m)** is set to finance cash transfers to selected families during the program's first phase. The project will finance cash

<sup>1</sup> According to original PAD estimates, Phase 2 would consist potentially of an additional US\$435 million (US\$235 million from STARS and US\$200 million from PACG) and scaled up to cover all the states.



transfers in the states of Khartoum, Red Sea, South Darfur, and Kassala. With a fee of 3.5percent to payment service providers (PSPs), there are enough resources in the project to allow SFSP Phase 1 to provide transfers to 11.3 million individuals in 2 million families for six months. An additional 11.3 million beneficiaries would be financed by the AF. The project will provide cash transfers of US\$5 per person per month for a total cost of US\$350 million from the original financing and US\$415 million from the AF. Contingent on additional resources becoming available, the program ramp-up is expected to reach 80 percent of the population by September 2021. The total families benefit levels will be calculated based on the number of family members (US\$5 for each member of the family each month). After economic stabilization and fiscal rebalancing measures are undertaken by the GoS, financing using domestic revenues would contribute to the longer-term sustainable SSN from 2022 onward. Component 1 would also finance the service fees to expand the participation of electronic and mobile money, banking fees, or other fees of private payment providers.

**12. Component 2: Establish Delivery Systems and Build Institutional Capacity (Original Total US\$40 million; AF not funded, Total US\$ 40m)** is establishing the key building blocks of the SFSP delivery system. Activities under this component will strengthen the Government’s institutional capacity to manage and implement the program. The component will provide financing for outreach and registration, enrollment, beneficiary verification, payment delivery, GRM, monitoring, and capacity building. This would also establish operational procedures, an SFSP management information system (MIS), necessary expansion and enhancements to the NCR, and an enabling legal framework for data protection and privacy. The component activities are grouped into two subcomponents: Subcomponent 2.1 on Registration and Delivery Systems, and Subcomponent 2.2 on Supporting Systems.

**13. Component 3: Project Management, Monitoring and Evaluation, and Learning (Original Total US\$10 million; AF US\$5 million, Total US\$15m)** supports coordination and project management activities necessary for the smooth functioning of the project, including the establishment of the Project Implementation Unit (PIU). The activities supported would include the ‘soft’ establishment costs of the DEA, day-to-day operational management, institutional setup, and donor coordination by the PIU and DEA. The component would also invest in establishing the SFSP beneficiary database, necessary hardware and software, internet connectivity, and IT infrastructure at the national and local levels. This component will also support the coordination and local-level capacity-building process, where the NCR, the PIU, DEA, and MoLSD will be receiving the necessary training to support the SFSP implementation at the local level. The component will also support strong monitoring practices and the development of social accountability and citizen engagement mechanisms with the support of local-level institutions including CDAs and NGOs. Knowledge management and learning would also be supported.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts



## E. Implementation

### Institutional and Implementation Arrangements

14. **Overall, the project implementation will be undertaken by the MoF by its Digital Transformation Agency when it is formed and in interim the PIU.** The DTA and the PIU will report to the accounting officer in MoF shall have overall fiduciary responsibility over the project including supervise and approve all key decisions for the effective implementation of all project components. All related contracts, appointments, and significant expenditures shall be approved by the accounting officer MOF.
15. **The implementation will be undertaken in coordination with MoI and the MoLSD and the participating States at the local level.** As the key ministry for coordinating SFSP, the MOF will maintain overall responsibility for the implementation of the project. The accounting officer of the MoI will be responsible for collating and submitting all annual project reports to the Bank.
16. **The overall coordinating mechanisms for the project at the national level are the Project Inter-ministerial Oversight Committee (PIOC) and the Project Technical Committee (PTC).** The PIOC will be co-chaired by the Minister of Finance and the Minister of the MoLSD and the Minister of the MoI. The PIOC will meet quarterly to: (a) provide policy and strategic guidance and direction on project implementation; (b) review the project progress towards the achievement of the PDO and advise on any issues thereof; (c) mobilize government support; and d) validate and disseminate results and main achievements. The accounting officers of the three Ministries shall act jointly as the secretariat to the PIOC. The PTC will facilitate coordination and operational guidance of the project at the national implementation level. It will consist of the undersecretaries and technical staff from the three Ministries (MoFEP, MOI and MoLSD). It will also include representatives of the States with responsibilities for project components.
17. **Within each State, there shall be a forum for the coordination of SFSP at that level.** The forum will be responsible for galvanizing actors to perform necessary implementation functions at the local level, including relevant representatives of NGOs and CSOs in the state level. This will also include mobilizing coordination at the locality level through local existing structures such as local NGOs, trusted community leaders, youth groups, and Community Resistance Committees. Additional policy, coordination and implementation arrangements for this project will be detailed in a Project Operations Manual (POM).

## CONTACT POINT

### World Bank

Suleiman Namara  
Senior Social Protection Economist

Surat F. Nsour  
Senior Social Protection Specialist

### Borrower/Client/Recipient



Republic of Sudan  
Ibrahim El Baddawi  
Minister  
mof@mof.gov.sd

**Implementing Agencies**

Ministry of Finance and Economic Planning  
Ibrahim El Badawi  
Minister  
minister@mof.gov.sd

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Suleiman Namara Surat F. Nsour
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**Approved By**

Practice Manager/Manager:		
Country Director:	Ousmane Dione	18-Dec-2020