

THE EUROPEAN UNION EMERGENCY TRUST FUND FOR STABILITY AND ADDRESSING THE ROOT CAUSES OF IRREGULAR MIGRATION AND DISPLACED PERSONS IN AFRICA

**Action Document for the implementation of the Horn of Africa Window
T05-EUTF-HOA-SD-64**

1. IDENTIFICATION

Title	EU support for the Family Support Programme and for the consolidation of social protection in Sudan		
Total cost	Total estimated cost: 15 000 000 EUR Total amount drawn from Trust Fund: 15 000 000 EUR		
Aid method / Method of implementation	Project approach Indirect management; with World Bank		
DAC-code	16010 16011	Secto	Social protection Social protection and welfare services policy, planning and administration
Derogations, prior approvals, exceptions authorised	N/A		

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The **overall objective** is to support the Government of Sudan to mitigate the impact of the global COVID-19 pandemic within the context of its ongoing economic reforms.

The Government of Sudan is soliciting donor support to gear up short-term social assistance through a Family Support Programme (FSP), which it views as a central facet of its response to COVID-19, and as a foundation for its future long-term social protection system.

The **specific objective** is to deliver immediate social assistance and cash mitigation to households through the Government’s Family Support Programme.

The Action contributes to the EU Trust Fund objective (2) Strengthening resilience of communities and in particular the most vulnerable, as well as refugees and displaced people. It aligns with one of the key priority criteria set for the EUTF by the Strategic Board in April 2018, namely “essential stabilisation efforts in Somalia, Sudan and South Sudan”. The Action is **aligned with the Valletta Action Plan** priority domain (1) development benefits of migration and addressing root causes of irregular migration and forced displacement, in particular through “investing in development and poverty eradication”.

The **geographical coverage** of the Action encompasses the whole of Sudan.

The **intervention logic** is that supporting social assistance through Government channels would help the Transition Government to implement its proposed FSP to mitigate the immediate impacts of COVID-19, while at the same time contributing to the establishment of a robust long-term inclusive social protection system.

The overall objective contributes to the progressive achievement of several SDGs but in particular Goal 1 "Poverty" contains the commitment, through the target 1.3, to "Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable" and Goal 10 "Inequality", through the target 10.4, to "Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality".

The indicative implementation period will be 30 months from the date of contract signature allowing a six-month mobilisation and inception period, followed by two years of full implementation.

2.2. Context

2.2.1. Country context

With an area of approximately 1.9 million km², Sudan is the third largest country in Africa. Its population of around 40 million inhabitants is growing rapidly. It is estimated that 40% of the population is under 14 years old. With an estimated EUR 1,858 GNI per capita, Sudan is considered a lower middle-income country. However, poverty and inequality are widespread. According to official government statistics, 46.5 % of the population live below the poverty line. However, in all likelihood the figure is much higher. Socio-economic indicators remain low in a context of deep economic crisis, with reduced revenues after the independence of South Sudan and an economy which is not diversified. Socio-economic conditions in Sudan have been challenging since the secession of South Sudan in 2011 and the loss of 75 – 80% of oil production and exports. This has compounded by a difficult external environment, including US sanctions (1997-2017) and limited access to external financing, due to continued inclusion of Sudan on the US list of State Sponsors of Terrorism. Partial policy adjustments implemented by the government have been insufficient to turn the tide toward macroeconomic stability and broad based growth.

The 2017 Human Development Index (UNDP) ranks Sudan at 167 out of 189 countries. It is estimated that 20 % of the active population is unemployed, with youth and women's unemployment nearly twice that of men. Agriculture remains the main source of employment, although the urban informal sector is estimated to account for an equivalent of more than 60 % of GDP. Poverty is heightened by inefficient development plans and strategies, reduced public expenditures on basic services, and erosion of land and natural resources. An interim Poverty Reduction Strategy Paper (I-PRSP) and the Five-Year Program for Economic Reforms were approved by Parliament in December 2014. The Government of Sudan is still expected to release the results of the 2014-2015 Household Survey and to finalise a full PRSP, which has been under preparation since 2016. Inflation is currently 68% and the Sudanese Pound was devalued by 50% in early October 2018.

The humanitarian and development situation in Sudan remains serious and complex, with acute lifesaving needs across the Darfur region, Blue Nile and South Kordofan states, eastern Sudan and other areas. Humanitarian needs are primarily driven by poverty, underdevelopment and climatic factors, while in some areas this is caused by conflict and inter-communal tensions, as possible displacement and food insecurity drivers. The Sudan 2018 Humanitarian Needs Overview points to 5.5 million people in need of humanitarian assistance, but more recent estimations (not yet officially endorsed by GoS) indicate an increase to 7.1 million. Environmental factors exacerbate the humanitarian crisis, contributing to displacement and food insecurity.

The 30-year dictatorial, sectarian and kleptocrat rule of former President Al Bashir, ended after a series of largely youth and women led peaceful protests across Sudan in April 2019. Following a period of instability, including a violent crackdown on the peaceful sit-in in June, a civilian-led Government took office in September 2019. The new Government has commenced and outlined the process for a transition towards democratic elections after 3+ years. Clearly, the hopes and expectations of the people for this new Government are considerable. Building a modern and democratic Sudan will not be an easy task. The challenges are many: dismantling the deep state, combatting bad habits, rebuilding the health and education system, etc. Demographic pressure and climate change will pose additional structural challenges.

The Transition Government has outlined a three-pillar plan. One of these pillars is economic recovery, which will include improvement of public finance management and economic reforms. Mitigating measures will be needed to cushion the impact of necessary, but tough, economic reforms.

In addition to the three-pillar plan, the new Government will also seek removal from the US list of State Sponsors of Terrorism. Sudanese presence on this list currently hampers debt relief and international banking transactions. Debt relief could write off as much as 90% of current debts, estimated to be approximately USD 65 billion. However, the process of debt relief will take time, possibly two years (or more). In order to reach this (the so called “HIPC decision point”), the GoS must establish a staff monitored programme (SMP) with the International Monetary Fund (IMF), finalise and establish a six-month track record of implementation of a Poverty Reduction Strategy Paper (PRSP) and finalise technical work with IMF for debt relief. The economic reforms, particularly the anticipated removal of subsidies, are expected to contribute to furthering an already deteriorating economic situation in Sudan which has impacted vulnerable people's abilities to cover basic needs. These challenges facing households are compounded by the economic shutdown recently imposed to mitigate the effects of the Corona Virus pandemic (COVID 19). COVID-19 is posing a significant health emergency and will have an additional shock on a shrinking economy. Sudan has a healthcare 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 lead to 5-10 percent loss in GDP in 2020. The risk of social unrest threatening the democratisation process, as a result of unmitigated reforms and COVID 19 response, is deemed to be high. Financial needs are immense: The World Bank estimates the financial needs to cover 80% of the population with cash transfers through the new Government-led Family Support Programme (FSP) for one year to be USD 1.9bn¹. It could take up to 2 years to reach the full coverage of 80%. The total cost of cash transfers plus fees and institution building around the programme for the first year is likely to be around \$1bn - \$1.5bn. Assuming pre-arrears clearance grants of \$400 - \$410m plus some GoS finance a funding gap of around \$800m - \$1bn for the first year remains.

Human development indicators in Sudan are among the worst in the world. Sudan had not achieved most of the Millennium Development Goals in 2015, and moving towards achieving SDGs targets poses a huge challenge. Key indicators related to this programme are:

Poverty: 14.2% extreme; 46.1% moderate (2014). Significant increase in urban areas 2009 to 2014 (WB 2019). Gini coefficient: 0.35 (WB, 2019); **Under-five mortality rate:** 68 / 1,000 live births (MICS, 2014); **Stunting:** 38.2% – very high; **wasting:** 16,3% – very high (MICS, 2014); **Food insecurity:** 6.4 million people (15%) classified as food insecure (IPC analysis, Aug. 2019); **Population displacement: refugees:** 1.2 million from South Sudan, Ethiopia, Eritrea, Syria, Yemen, and Chad (OCHA, March 2019); **IDPs:** 1.86 million (OCHA, March 2019)

¹ World Bank 2020, Project Information Document (PID) Concept Stage | Date Prepared/Updated: 13-May-2020 | Report No: PIDC29085. <http://documents.worldbank.org/curated/en/230281589579860399/Concept-Project-Information-Document-PID-Sudan-Family-Support-Program-SFSP-P173521>

2.2.2. Sector context: policies and challenges

By the end 2019, Sudan had an established social assistance system, using entirely national funds and reaching a large coverage of 500,000 households. In addition, Zakat (Islamic religious tax 2.5% on income/ savings to support the poor) had been active for many years, operating as an informal social safety net (also provided via GoS systems). Sudan's existing social protection programmes were fairly comprehensive, but also in need of significant reform and support to be able to respond to the widespread poverty and vulnerability in the country. Coverage of existing social protection programmes was limited, and there was overlap between them and lack of coordination, particularly with the humanitarian actors. Crucially, the country also has not yet developed a national social protection policy. It is understood that formulation of such a policy is a priority of the transitional government. This action will support this formulation, which will subsequently inform further EU support to this critical area.

GoS social protection programmes are implemented mainly through the following modalities:

- Cash Transfer component of the **Social Initiative Programme (SIP)**: Started in 2011 and financed by the Ministry of Finance and Economic Planning (MoFEP), this is an unconditional monthly transfer to poor households identified by the Ministry of Labour and Social Development (MoLSD)² and the Zakat Chamber. Currently, the cash transfer programme reaches more than 500,000 households in all 18 states of the country providing SDG 250 per household per month (about USD 5). The Government approved an increase in the monthly payment amount to households from SDG 250 to SDG 450 in early 2019 but the increased amount was never paid due to financial constraints. It is proposed that the SIP be replaced by the more comprehensive FSP.

- **National Health Insurance Fund (NHIF)** is the second-largest programme of MoLSD. The NHIF was established as a social health insurance in 1995, mandatory to formal sectors employees and voluntary to the informal sector. The 2016 Health Insurance Act now stipulates compulsory registration of all residents in Sudan (citizens, foreigners, refugees). According to NHIF data, health insurance coverage achieved by December 2016 was 25.3 million people, or 64.4 % of the total population. The coverage of the poor is 84.7%, or 15.5 million. The "universal health coverage" objective is to cover more than 80% of the population and 100% of vulnerable groups. Through Zakat and Government funding there has been a provision to include poor households unable to contribute the premium while covering all the recipients of the SIP and other cash transfer programmes. The programme has been expanding to Darfur, including to IDP populations in the peri-urban camps in El Fasher and Nyala.

- The **National Pensions and Social Insurance Fund (NPSIF)** provides pension schemes for public, private and government employees via two pension funds (NPF and NSIF). In 2018, there were about 1.1 million contributors for about 340,000 beneficiaries throughout the country. A minimum contributory pension is set up at SDG 625 paid by the NPSIF. In accordance with the 2016 Act, MoFEP has financed an increase in the minimum pension by SDG 500, raising it to SDG 1,125. However, this pension increases only benefits pensioners who were in the formal contributory system, while poorer old age persons are excluded from the non-contributory tax-financed pension.

- **Student Support Grant**: This is a grant for students from poor households to pursue university education. Each student would receive SDG 100 per month in cash and an additional

² The previous Ministry of Security and Social Development has just been combined with the Ministry of Labour and renamed to the Ministry of Labour and Social Development (MoLSD). The acronym MoLSD is used throughout this document.

SDG 100 per month is paid to the educational institution on behalf of the student, for food and rental expenses. The programme was expected to cover 200,000 students by 2015.

– **Other, smaller programmes:** Rural Women’s Empowerment and Revolving Fund; Microfinance and Microenterprise Development/Asset Transfer; Provision of small loans for livelihood promotion; Social projects for specific target groups covering immediate needs like water and health expenses for vulnerable groups such as homeless people and IDPs; Support for the disabled: Includes distribution of prosthetic limbs and revolving funds; Community media and corporate social responsibility.

Many of these programmes are managed by MoLSD to combine cash transfers with complementary support for economic inclusion. As funding for these smaller initiatives is limited and sporadic, no systematic approach for economic inclusion has been implemented.

Despite the above encouraging efforts, the existing social assistance system is largely inadequate to respond to the widespread poverty and vulnerability in Sudan, especially in the current context of COVID-19, when many new households, especially those in the informal sector, find themselves in poverty. The extent of need outstrips the availability of resources. The systems have lacked proper targeting, a unified beneficiary registry, a regular and reliable payment schedule/system, complaint mechanisms, and transparency.

According to a recent study in Khartoum state³ urban poverty largely increased due to the economic crisis since January 2018. The crisis has pushed these urban and peri-urban communities to deploy limited, usually adverse, coping mechanisms. The government responses in terms of safety net, cash support, zakat, microfinance, health insurance had little positive effect due to limited resources and coverage and were not sufficient to mitigate the consequences of the economic crisis.

The new Government will need further support to develop comprehensive national social protection policy. Under the leadership of the new government, it will be important to harmonize benefit levels and the modes of implementation. The Commission for Social Safety Net and Poverty Reduction (CSSPR) under the new MoLSD has the mandate to undertake this task but will need technical and financial support.

The EU adopts a universal approach to social protection, as set out in the Communication on Social Protection (COM 2012 446), which is “committed to providing universal access to social protection against the major lifecycle risks”, and which sees the aim of social protection in development as “to achieve equal and universal access to social protection throughout people's lives, with particular attention to the most vulnerable and disadvantaged people, such as children and persons with disabilities”.

While initially working through approaches for immediate impact, the EU will also support national policy development towards more sustainable and more inclusive social assistance based on tackling the vulnerabilities of individuals through the life-course through complementary actions.

2.3 Lessons learnt

Increasing evidence from around the globe shows that the redistributive and risk management effects of well-designed social assistance programmes can contribute to inclusive growth. Key lessons learned and recommendations from interventions of international partners on social assistance are:

³ UNICEF, WFP, AfDB, & UNDP 2018, Rapid Assessment of the Impact of the Economic Situation on the Urban Population at Khartoum State Draft Report, October 2018.

- Domestic resource mobilisation is one of the limiting factors for the success of social protection calling for increased political will, tax and budgets;
- It is important to leverage the political economy gains of more inclusive life-course social assistance to increase popular and political appeal and to generate increased fiscal space;
- Improving the coordination and collaboration between government and nongovernment institutions, especially in supporting issues like the National Nutrition Programme, will bring savings and efficiencies; and
- Common systems across the humanitarian-development nexus will generate economies of scale.

The World Bank's recent work in social assistance in Sudan has confirmed the following:

- It is important to address strategic elements of social assistance implementation, such as the recertification and retargeting of households to make the cash transfer programme transparent and credible. Using a clear methodology for targeting to poor and vulnerable is more likely to result in the allocation of additional Government resources to social benefits.
- Working through all Government levels (national, regional, local) requires constant communication, continuous training and clear guidelines for implementation. Through the project, there was an increased advocacy, outreach and communication to senior officials, (Governors, Ministers, Commissioners), which contributed to the level of ownership and support to the implementation of the project.
- Piloting feasible innovative systems for large scale cash transfers that are appropriate to the geographic context, such as e-payments, can pave the way for substantial improvements in service delivery. MoLSD is currently launching an e-payment pilot in Khartoum through the Saving and Family Banks, which covers 79,000 beneficiaries and is equipping them with bank accounts and cards, thus expanding financial inclusion while addressing short-term need.
- Grievance Redress Mechanisms (GRM) should be developed and put in place before the rollout or expansion of the programme. The module was included in the MIS, however some aspects still need to be made fully functional.
- Federal and state level staff, Zakat, Sudapost and state level teams in North Kordofan, where the GRM was piloted, were trained in GRM. This provided a useful feedback loop for beneficiary engagement.

An important lesson underpinning the EU approach is the evidence from Africa (and elsewhere in the world) that national social protection systems evolve over time to reflect the vulnerabilities that people face through their life-course. Tightly poverty-targeted interventions based on assessments of household poverty (which have been the norm under previous governments in Sudan) cannot be expected to expand into national programmes, whereas there are many examples of universal (or near-universal) life-course programmes that operate at national scale using entirely domestic funding. There is substantial evidence that such inclusive life-course social assistance is more intuitive, more popular, more politically acceptable, and therefore more sustainably affordable than tightly poverty-targeted programmes. Also, there are powerful global precedents of countries that have used inclusive social assistance as a mechanism to rebuild the social compact between the state and its citizens after a significant democratic transition, such as that experienced in Sudan (e.g. South Africa, Nepal, Myanmar, Timor Leste, the Gambia, Pakistan).

Finally, multiple countries around the world are using social assistance as the primary mechanism to combat the economic ravages of COVID-19. Cash transfer programmes are essential to provide the necessary safety net, and to address the medium and long-term impacts of the global COVID-19 pandemic. As of 27 March 2020, a total of 84 countries have so far introduced, adapted or expanded social protection programmes in response to COVID-19.⁴

⁴ *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures* (March 20, 2020). Ugo Gentilini, Mohamed Almenfi and Ian Orton, World Bank

2.4. Complementary actions

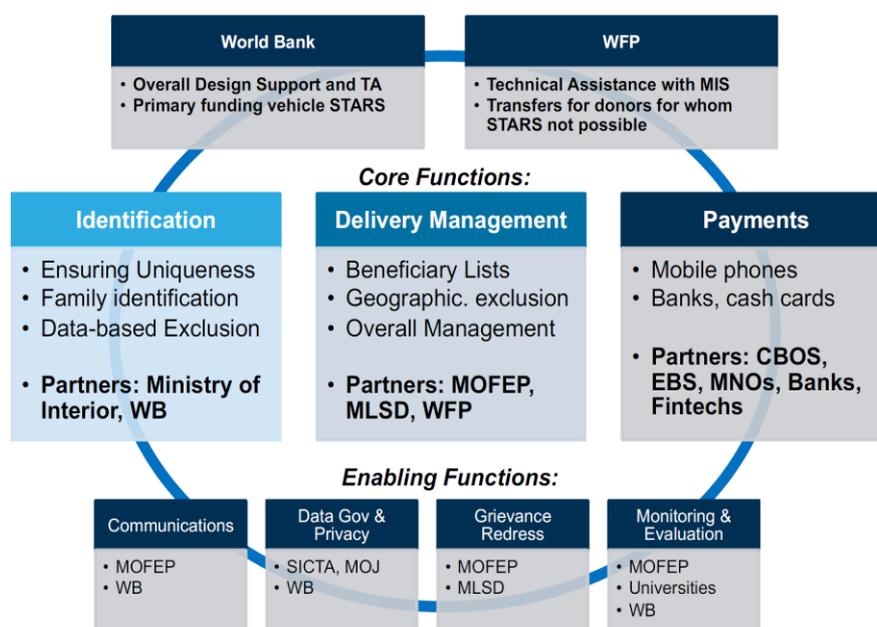
The proposed project will create synergies with the existing projects of various multilateral agencies, particularly UN and the World Bank as well as ongoing and new EU projects and multi-donor support to Sudan, including projects recently approved to implement the EU Action Plan on the Humanitarian-Development Nexus in Sudan.

2.4.1 Ongoing support to Social Safety Nets/Social Protection in Sudan

World Bank Since November 2019 the Government of Sudan, through MoFEP, has been working on a “quasi Unconditional Basic Income” for 80% of the population, now labelled the “Family Support Programme” (FSP), supported by the World Bank. The World Bank project’s objectives are to assist the GoS to effectively provide cash transfers 80% of the population to mitigate the effects of the economic reforms. The project would include three components (1) provide cash transfers to selected households; (2) establish delivery systems and institutional capacity; and (3) support project management, monitoring and evaluation and knowledge management. The first component, provision of cash transfers will finance cash transfers to selected households: US \$5 per person per month to approximately 80 percent of the population. The second component supports establishing delivery systems and builds institutional capacity. The component will provide financing for outreach and registration, enrollment, beneficiary verification, payment delivery, grievance redress, monitoring, and capacity-building. This would also establish operational procedures, a FSP beneficiary database, and a Management Information System (MIS). The component would also strengthen the government’s institutional capacity to manage and implement the program, including support to expansion and referral to the permanent social safety net and complementary services. Finally, the third component will support project management, monitoring, evaluation and learning from the program. The financial needs are USD 1.9 bn. The World Bank has established a multi-donor trust fund, the Sudan Transition and Recovery Support “STARS” to allow for international donor support to the FSP.

World Food Programme In February 2020, the Minister of Finance also requested WFP’s support for the FSP. WFP is supporting the FSP in four areas: (i) An interim delivery system including data analysis support, payments, and assurance services (reconciliation and grievance procedures) for rapid start-up of the Programme in Khartoum, (2) Contribution to a robust delivery system and payments process for the full programme, (3) Assurance services including a grievance mechanism , and payment reconciliation and anomaly detection. (4) A secondary funding mechanism to complement the World Bank managed “STARS” trust fund . Financing requirements are approximately USD 5 million for technical assistance to develop the system and augment the Ministry’s staffing and USD 15 million per month thereafter to reach 500,000 families with transfers for the rapid start-up phase.

Collaborating Partners are working together on all aspects



Source: Government of Sudan, Friends of Sudan Meeting May 2020 **UK-DFID** – USD 4 mn support channelled through the World Bank’s existing Sudan Multi Partner Fund (SMPF), for scaling up of GoS SSN programme. This supports IT systems in some of the 12 remaining states to be re-certified. DFID also plans to support the development of a national social protection policy.

EU/WHO: The National Health Financing Policies foresee major reforms currently being supported by the EU with a EURO 1 million project implemented by WHO. The programme supports governance reforms of the National Health Insurance Fund in the results areas (i) NHIF governance arrangements and structure are modernized; (ii) NHIF enterprise resource planning and information system are upgraded; (iii) Improved of quality, management and development of human resource competencies; (iv) New provider payment mechanism developed to support of improved delivery of quality health services.(v) Health programmes of EU-financed partners are strengthened and supported in Khartoum, Eastern states and Darfur, to expand the health insurance accreditation and coverage.

FAO: Together with the International Policy Centre for Inclusive Growth (IPC-IG), FAO is conducting two studies on the coverage of social protection in rural areas. The first study, which has already started, intends to estimate the gap in coverage between rural and urban areas, and to develop a toolkit on estimating social protection coverage. The second study, about to be launched, seeks to assess the coherence and interactions between agriculture and social protection to identify clear gap areas and entry points in which coherence could be improved. In the medium-term, the focus will be on establishment of areas of technical support to the government in expansion of social protection in response to gaps analysis.

UNICEF created a Social Policy Unit in 2018. The goal is to support Government to develop an integrated social protection system with needed policies and evidence that can be scaled up nationally with the view towards universal coverage. Key strategic direction of planned interventions are (i) the development of legislation and policy reforms for adequate public financing and child rights; (ii) the development of an integrated social protection pilot system; (iii) generation of sound evidence for policy dialogue and public advocacy; (iv) advocacy for scaling up nationally innovative high impact social protection system with the view to universal coverage of social transfers; access to service delivery; social support and care services. UNICEF’s engagement with the CSSPR and MoLSD centres around four key building blocks of social protection system strengthening: 1) the national targeting system (social registry); 2) data

and management information systems; 3) social protection strategic framework; and 4) social protection sector coordination.

2.4.2. Envisaged or on-going EU Actions

The following operational and foreseen EUTF programmes are complementary to the envisaged action:

- EU Humanitarian Development Nexus: Support Government of Sudan and UNICEF S3M T05-EUTF-HOA-SD-53, EUR 1 mn. The objective is to collect and disseminate disaggregated data on multiple indicators pertaining to key determinants of malnutrition in young children and pregnant and lactating women through undertaking a Simple, Spatial, Survey Method (S3M) survey in Sudan.
- Humanitarian Development Nexus: Building Resilient Communities in West Kordofan (BRICK) T05-EUTF-HOA-SD-63, EUR 10 mn
- Humanitarian-Development Nexus: Strengthening a Decentralised Health System for protracted displaced populations in North and South Darfur (HealthPro) EURO 15 m. The programme will work with the National Health Insurance Fund
- Integrating refugee children into the Sudanese Education System T05-EUTF-HOA-SD-65; EUR 10 mn
- T05-EUTF-HOA-SD-91 Humanitarian-Development Nexus: Strengthening preparedness and response of the health system addressing the COVID-19 Pandemic in Sudan (COVID-19 RESPONSE Sudan), EUR 10m, to be complemented by additional EUR 10.2m
- T05-EUTF-HOA-SD-82 EU support for a Social Protection System in Sudan, Eur 35m.
- T05-EUTF-HOA-SD-94 EU support for the Family Support Programme and for the consolidation of social protection in Sudan

2.4.3 Justification for use of EUTF Africa funds for this action

Due to the non-ratification of the revised Cotonou Agreement by the Government of Sudan, the country is not eligible for programmable, bilateral 11th EDF funding. However, the country remains fragile while playing a crucial role for the stability of the Greater Horn, as it is situated along the migratory routes heading to the Mediterranean. The EU has therefore adopted ad hoc measures to address the root causes of instability and displacement in Sudan, and these funds are channelled through the EUTF. Hence, this action also aligns with one of the key priority criteria (Essential stabilisation efforts in Somalia, Sudan and South Sudan) set for the EUTF Horn of Africa window by the EUTF Strategic Board in April 2018. In addition, the current needs of the people of Sudan are significant. Equally, the GoS need for support and tangible commitments from International Community early on in transition process, will be crucial to their credibility.

2.5 Donor co-ordination

Donor Coordination mechanisms within Sudan around the PRSP, development aid, humanitarian aid and the humanitarian-development nexus and the Darfur Development Strategy need to be harmonised and enabled for a meaningful dialogue with Government. This has led to the creation the Sudan International Partners Forum (SIPF) in April 2019. UN-led work on “Collective Outcomes” which includes: 1) Governance, 2) Basic Social Services, 3) Climate Change and 4) Livelihoods/Economy is going to be integrated into this process.

The Commission for Social Safety Net and Poverty Reduction convened a social protection sector working group last month. The meeting was attended by the CSSPR, WFP, UNDP, UNICEF, FAO and WB. The EU will join this group and it is expected that other partners

(including representatives of local and international NGOs) will also join. It is the expectation of international partners in Sudan that this will be the forum for future dialogue on social protection.

The Friends of Sudan have played a pivotal role in mobilizing international support to the political transition in Sudan and the June 25th Berlin Partnership Conference is expected to come forward with substantial additional funding for the Family Support Programme.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** (expected impact) of this action is to support the Government of Sudan to mitigate the impact of the global COVID-19 pandemic within the context of its ongoing economic reforms

The **specific objective** is to deliver immediate social assistance and cash mitigation to households through the Government's FSP.

The Government recognises that COVID-19 represents both a health and an economic emergency. It sees its proposed Family Support Programme (FSP) as a flagship social assistance intervention to counter the economic impacts in the short-term, while building the foundation for more comprehensive and inclusive social protection in the longer term. It sees the COVID-19 crisis as further justification to reinforce its planned economic reforms to stabilize the economy. These reforms will put Sudan on a path towards economic stabilization, arrears clearance, and a more robust integration in the global economy, while delivering on the aspirations of the revolutionary movement of establishing a more sustainable development-focused national budget with large shares of expenditure in health, education and social protection. To address these challenges, the Government has requested support to urgently create a new large-scale, time-bound, Government-owned and -executed cash transfer programme to ensure that social impact mitigation measures are in place before embarking on subsidy reforms. The presence of a large enough FSP is seen as a political and fiscal imperative in the short term to respond to COVID-19 and to allow the transition period to unfold peacefully.

The expected outputs are as follows:

Output : Expansion of cash transfers through the FSP. The expansion will include women, refugee, displaced people and people with disabilities.

An indicative logical framework reflecting objectives and results is included in Annex of this Action Document.

3.2. Expected results and main activities

Output : Expansion of cash transfers through the FSP.

In order to mitigate immediate impacts of the anticipated economic reforms and the possible effects of COVID-19, the Action would initially channel funds through the Government's proposed FSP.

Activities would comprise the **expansion of cash transfers**, in order to provide a national quick disbursing mitigation cash transfer system. The Ministry of Finance, Ministry of Labour and Social Development, Civil Status Registry of Ministry of Interior, and the Central Bank of Sudan are working with the World Bank to establish the technical and institutional design parameters of the FSP in such a way as they will also serve to support the long-term inclusive social protection system. The FSP is being designed from scratch and is intended to have a limited duration, to correspond to the time frame of the necessary COVID-19 response. With an initial pilot targeting 75,000 households in four states, it will scale up to reach nearly 7 million households by early-2021, representing 80 percent of the population. Each household will receive the FSP benefits

for one year, with the programme reducing in size during 2021 to concentrate eventually on permanent social protection caseload of some 20 percent of the population

FSP will be managed by the Ministry of Finance, and will leverage the existing National Civil Registry (NCR) maintained by the Ministry of Interior, a subset of which will be transferred to a new agency, under the office of the Prime Minister. The aim is to transfer benefits directly to beneficiary bank accounts and other digital accounts where possible. Where this is not possible, payments will be delivered through Sudapost, schools or other physical touchpoints and in remote and hard to reach areas through partnership agreements with humanitarian actors.

This Action would continue to support, as a benefit of the SIP, the policy of enrolling all beneficiaries of cash transfers into the NHIF, a particularly important initiative in the face of the threat of COVID-19.

3.3 Risks and assumptions

Risks	Level of risk	Mitigating measures
Political risks		
The Government takes a long time to mobilise, appoint ministers, plan interventions, especially as a result of the current turmoil of the COVID-19 pandemic.	High	Continue to prioritise social impact mitigation and inclusive social protection as essential counterweights to the necessary economic reforms
Political instability continues	Medium	Advance the argument that effective and inclusive social protection can underpin state legitimacy and counter political instability
Macroeconomic risks		
Insufficient external financing is raised for the new FSP	Medium	EU funding for this Action will encourage other OECD donors, which should in turn help to attract the required financing from non-traditional donors (mainly from the Gulf region). But, even if the FSP is not fully funded, this Action will contribute to wider social protection.
A large proportion of people living in vulnerable situations remains vulnerable to seasonal and other exogenous shocks, including COVID-19 Women and people living in vulnerable situations are left behind with limited access to the cash transfers.	Medium	Support the evolution of robust systems that can be used as a platform to respond to negative shock impacts (including seasonal) and meet all or some of the need for humanitarian responses. Automatic enrolment of all social protection beneficiaries in the NHIF. A robust system will protect a right-based approach enhancing the participation of the citizens, the transparency, the accountability and the non-discrimination of the system. The principle of “leaving no one behind” will be applied.
Developmental/Institutional risks		
There is resistance to using the social assistance mechanisms of the previous Government	Medium	The policy dialogue of the Action will explore, test and validate alternative approaches to social assistance that may be more appropriate to rebuilding the social

		compact between the new Government and its citizens.
There is reluctance to move to alternative approaches to social protection	Medium	The Action will seek to demonstrate the benefits of more inclusive social protection. However, the systems that are strengthened and developed through the Action will be appropriate to whatever social assistance approach the Government may choose.
The medium- and long-term sustainability of the social security system depends on the robustness of the fiscal system including policy choices in terms of mobilisation of domestic resources and inter-sector allocation of funds (pro-poor and gender-responsive budgeting)	Medium	The substantial national coverage of the Action will leverage the political economy of generating greater domestic funding through more inclusive approaches.
The capacity of MoLSD to lead and implement social protection system is low	Medium	Engage key MoLSD planning and management staff in all aspects of the Action. Provide capacity building through technical assistance and overseas training courses. Maximise the engagement of MoFEP in the FSP and social protection to ensure fiscal commitment and oversight
PFM and fiduciary risks: Corruption and Fraud risks / Data protection		
Oversight of financial and performance plans and proper compliance of eligibility rules within the new Government is weak, the capacity of the MoFEP is weak	High	The overall EU mitigation measure addressing fiduciary risks is the EUR 10 million Action T05-EUTF-HOA-SD-95 Sudan - Support to the Economic transition. The objectives of the project are i) To strengthen institutional capacities at the MOFEP, ii) To enhance capacities in Public Finance Management and iii) To improve financial sector asset quality.
There is a likelihood of funds leakages due to corruption and weak budget controls in the implementation of the FSP	Medium	To minimise the risks of misuse of funds during implementation, it is important to stress that while the Undersecretary of Finance will be responsible, he will be supported by a Project Implementation Unit in charge of day-to-day implementation. The PIU will be headed by a program manager including specialists in operations, database administration, payments, IT, field operations, M&E, safeguards, financial management and procurement.
Grievances are not properly addressed	Medium	A Grievance Redress Mechanism (GRM) will be developed to provide an avenue for complaints and updates regarding registration and enrolment, payments and other operational matters. A stakeholder engagement plan will be prepared and will include participatory citizen engagement practices and engagement of community development organizations and the NGO sector for reporting.

Personal data are not protected	Medium	The project will support the development of an appropriate legal framework for data protection, an operations manual, and a template for a developing a citizen data protection framework, including associated technical assistance and capacity building. Data Protection Framework should be developed in a manner which establishes individual rights and enables the courts in Sudan to provide ultimate oversight over both public and private entities' processing of personal data, including in relation to the NCR and the FSP.
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The **assumptions** for the success of the project and its implementation include:

1. A cadre of Government staff responsible for management and oversight of social assistance is in place
2. The World Bank has a robust mechanism to deliver funding for social assistance through Government channels

3.4 Cross-cutting issues

The proposed interventions have to be guided by these issues, as they are central to tackle vulnerabilities in the selected localities and only through building the response around them can sustainability be achieved.

Gender equality: Social protection tools such as cash transfers have proven to influence positively girls' empowerment, enabling them to stay in school longer, delaying child marriage, and reducing early pregnancy. The increased emphasis on vulnerabilities also places more prominence on the role of women in social support and resilience, given the fact that women are disproportionately bearing the burden of dealing with the effects of shocks. This Action will support the collection of gender-disaggregated data will directly contributing to the thematic priority of the Gender Action Plan II (2016-2020) entitled "promoting the economic and social rights/empowerment of girls and women", in particular through "improved access by women of all ages to decent work and to the national social protection floors".

Climate change: Sudan is one of the countries most affected by climate change and natural disasters (e.g. desertification, forced migration, geographical areas exposed to disasters) and affecting the welfare of the vulnerable population. Although this Action is not directly addressing climate change, immediate social assistance while designing the social security system is a way as to strengthen the resilience of those most at risk.

Inclusion of persons with disabilities: Moving towards a comprehensive life-course approach on social protection will promote the inclusion of persons with disabilities.

Good governance: Sustainability, transparency and accountability are at the core of the International Communities' support to the new Government of Sudan. This will be addressed through support to the relevant federal and state ministries and administrations for social protection programmes including budgetary and M & E structures and improved, more robust and transparent systems. Important aspects of the Action address fiscal and financial management and accountability, which are key pillars of good governance. The previous work of the World Bank on targeting in the beneficiary states of output 1 has already reduced the

political biases imposed by the old regime. Together with the complementary Action of the EU on Public Financial Management this Action will contribute to making social expenditure and benefits part of the fiscal balance and a macroeconomic stability factor

Rights-based approach. The new European Consensus reiterates EU's commitment to a rights-based approach to development and social protection. Access to social protection is a human right, fundamental in protecting individuals and their families across life cycle and in building political stability as well as societies' resilience to different types of shocks. Social policies are thus pivotal to prevent and address current global risks (COVID-19, refugee crisis, forced migration, climate change and inequalities).

3.5 Stakeholders

Main Stakeholders for the Action are:

Sudanese – direct and main stakeholders (duty bearers)

Federal Ministry of Labour and Social Development; Federal Ministry of Finance and Economic Planning, Poverty Unit; State Ministries in charge of Social Protection, currently State Ministries of Health and Social Protection; Commission on Social Safety Nets and Poverty Reduction; National Health Insurance Fund; Zakat Chamber; Ministry of Health (nutrition and fee waivers for health); Ministry of Education (school feeding); Ministries of Agriculture and Water; The Social Savings and Development Bank; and Sudapost

Sudanese – direct and main stakeholders (rights holders)

Recipients of FSP and other social protection.

International – indirect stakeholders

The World Bank; other development partners; INGOs; CSOs;

4 IMPLEMENTATION ISSUES

4.1 Financing agreement, if relevant

Not applicable

4.2 Indicative operational implementation period

The implementation period will be 30 months from the signature of the contract. This will allow a six-month mobilisation and inception period, followed by two years of full implementation.

4.3 Implementation components and modules

The output will be delivered through the World Bank's **STARS** which is a 2020 retooling of the previously existing Sudan Multi Partner Fund (SMPF), set up in 2014. The total SMPF envelope raised so far is USD19 million. Current donors include Norway and the UK. The UK provided USD 17.7 million between 2014-2019. Norway contributed a total of USD 1.3 million. For the STARS, donors have already pledged app. USD 500 million at the Berlin Partnership Conference for Sudan in June 2020. The aim is to reach USD 2 billion.

The EU will conclude an Administration Agreement with the World Bank. The Bank's support to social safety nets has been funded through this Trust Fund, providing the Government (recipient-executed project) to strengthen the capacity of MoLSD to transparently and effectively implement the cash transfer programme and pilot a productive safety net approach for poor households. This project leveraged additional technical assistance funding from the Rapid Social Response Trust Fund Program to continue strengthening the building blocks of a comprehensive social safety net program and social protection platform and improve the delivery and efficiency of social protection systems and increase

the coverage of effective and adaptive social protection activities. The SMPF funds both Bank-executed and recipient-executed activities. This modality has been selected because of the twin imperatives of (i) expediency, and (ii) visibility for the Government that it is delivering support to its citizens. To the extent possible, delivery of the first tranche of support through this modality will be done as rapidly as possible and if feasible, with up front financing from the WB (retro-active financing).

4.4. Indicative budget

Component*	Amount (EUR)
Deliver immediate social assistance and cash mitigation to households Administration Agreement (indirect management) with World Bank	15 000 000
Total	15 000 000

4.5 Monitoring and reporting

The implementing partner must establish a permanent internal, technical and financial monitoring system for the Action and prepare regular progress reports and final reports, taking into account the gender and human rights dimension.

The World Bank will provide implementation status reports/updates against recipient-executed activities on a biannual basis. The grant agreement will list in detail the reporting requirements, audit, and frequency. The project and Trust Fund information will be made available to the Commission through the development partner secure website and the Bank site. The task team will provide additional *ad hoc* reports as needed.

In the initial phase, the indicative logical framework agreed in contract and/or the agreement signed with the implementing partner must be complemented by benchmarks and targets for each indicator. Progress reports/updates provided by the implementing partner should contain the most recent version of the logical framework agreed by the parties and showing the current values for each indicator. The final report should complete the logical framework with reference points and final values for each indicator.

The final report, financial and descriptive, will cover the entire period of the implementation of the Action.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The implementing partner(s) will report on a number of common EUTF indicators of the selected results for this Action.

Project Implementing Partners will be required to provide regular data, including the evolution of the actual values of the indicators (at least every three months) to the contracting authority, in a format which is to be indicated during the contract negotiation phase. The evolution of the indicators will be accessible to the public through the EUTF website and the Akvo RSR platform (<https://eutf.akvoapp.org/en/projects/>).

4.6 Evaluation and audit

If necessary, ad hoc audits or expenditure verification assignments could be contracted by the European Commission for one or several contracts or agreements.

Audits and expenditure verification assignments will be carried out in conformity with the risk analysis in the frame of the yearly Audit Plan exercise conducted by the European Commission.

The amount allocated for external evaluation and audit purposes should be shown in the budget at section 4.4. Evaluation and audit assignments will be implemented through service contracts, making use of one of the Commission's dedicated framework contracts or alternatively through the competitive negotiated procedure or the single tender procedure.

4.7 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, which will be developed early in the implementation. Appropriate contractual obligations shall be included in the procurement contracts. The Communication and Visibility Manual for European Union External Action⁵ shall be used to establish the Communication and Visibility Plan and the appropriate contractual obligations.

The Akvo RSR⁶ on-line reporting platform, which is available to the public, will be used to communicate and report on this action as well as on all project components. Akvo RSR links directly to the EUTF website. The project logical frameworks will be encoded in their respective Akvo pages and regular reporting of project activities and outputs will take place on this platform.

⁵ <https://ec.europa.eu/europeaid/node/17974>

⁶ Akvo Really Simple Reporting

Annex: Indicative Logical Framework Matrix

Additional note: The term "results" refers to the outputs, outcome(s) and impact of the Action (OECD DAC definition).

	Results chain: Main expected results	Indicators	Sources and means of verification	Assumptions
Impact (Overall objective)	To support the Government of Sudan to mitigate the impact of the global COVID-19 pandemic within the context of its ongoing economic reforms	Poverty indicators GINI coefficient Child stunting (disaggregated by sex, wealth, rural/urban) and inequalities (prevalence-ratio of poorest to richest) Child wasting (disaggregated by sex, wealth, rural/urban) and inequalities (prevalence-ratio of poorest to richest)	Household/Individual surveys MICS surveys	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	The specific objectives are to i) deliver immediate social assistance and cash mitigation to households through the Government's FSP .	Social protection expenditure as a % of GDP Percentage of households and individuals who benefit from the social protection system (coverage) disaggregated by sex, age, people with disability, wealth, rural/urban Proportion of beneficiaries enrolled in the NHIF Timeliness of transfers (number of households and individuals receiving payments transfers within 15 days of payment due date)	Government expenditure reports Programme MIS Programme evaluation Spot checks	Stable civilian Government Improved Government revenue Robust PFM systems

Other Results (Outputs and/or Short- term Outcomes)	<u>Output 1</u> : Expansion of cash transfers through the Family Support Programme	<p>Number of people receiving FSP cash transfers *</p> <p>Value of the transfer as a proportion of the poverty line</p> <p>Number of people registered for social impact mitigation/social protection*</p> <p>[*disaggregated by sex, age, people with disability, wealth, rural/urban]</p>	<p>Programme MIS</p> <p>Programme Evaluation</p>	<p>Operational problems undermine integrity of FSP</p> <p>Insufficient technical capacity in Government</p> <p>Continuing ambiguity over social protection policy</p>
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