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Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 23-Sep-2021 | Report No: PIDC32578

**BASIC INFORMATION****A. Basic Project Data**

Country Sudan	Project ID P176998	Parent Project ID (if any)	Project Name Sudan Women and Youth Entrepreneurship (SWAYE) Project (P176998)
Region AFRICA EAST	Estimated Appraisal Date Jan 10, 2022	Estimated Board Date Mar 31, 2022	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Economy and Planning	Implementing Agency Ministry of Investment	

Proposed Development Objective(s)

To increase entrepreneurship and access to finance for MSMEs, focusing on women and youth owned/managed MSMEs.

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

Total Project Cost	125.00
Total Financing	125.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS**Private Sector Investors/Shareholders**

Equity	Amount	Debt	Amount
		IFI Debt	100.00
		IDA (Credit/Grant)	100.00
		Commercial Debt	25.00



		Guaranteed	25.00
Total	0.00		125.00

Payment/Security Guarantee

Total	0.00
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Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

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Other Decision (as needed)

B. Introduction and Context

1. **The proposed Women and Youth Entrepreneurship Investment Project Financing (IPF) for the Republic of the Sudan (hereafter Sudan) in the amount of US\$100 million from the International Development Association (IDA) in grant terms.** The proposed project aims to strengthen the enabling environment for **Micro, Small and Medium Enterprise (MSME)** development, including the policy, legal and regulatory framework, payments and market infrastructure, as well as targeted capacity building activities at government entities that are mandated to play a key role in fostering women and youth entrepreneurship. It will also focus on facilitating access to affordable finance for women and youth owned/managed MSMEs, as well as strengthening firm capabilities.

Country Context

2. **The 2019 revolution presents a unique opportunity for Sudan to put itself on a path of inclusive and sustainable growth, but the country’s current situation remains challenging, complicating the realization of the transitional government’s (GoS) promise of transformation.** After three decades of a dictatorship characterized by unremitting armed conflict, inequality, and extremely limited engagement from the international community, a technocratic government (GoS) was formed in August 2019, with the mandate to adopt reforms that reverse the economic, social, and political decline that impoverished the country for decades. However, the slow economic growth, high rates of poverty and inequality, and macroeconomic imbalances inherited by GoS are far from resolved.

3. **Within this context, while a strong reform momentum is building up in Sudan, a boost to economic growth and job opportunities in the country is unlikely without significant private sector development.** GoS has made excellent progress since its establishment in implementing a bold package of reforms to address internal conflicts and economic distortions, and to begin an earnest re-engagement with the international community. For instance, Sudan’s political



institutions have been made more inclusive, steps to prepare for an SMP with the IMF have been implemented, tax exemptions have been eliminated, and the Juba Peace Agreement was signed on October 3rd of 2020 pushing the country further towards peace. The US government also announced on December 14th of 2020 that Sudan was removed from its State Sponsors of Terrorism List (SSTL), enabling the country much greater access to international funds and investment. In February 2021, Sudan cleared its arrears to the IDA, enabling full re-engagement with the World Bank Group (WBG). In June 2021, Sudan reached the Highly-Indebted Poor Countries Initiative (HIPC) Decision Point, allowing it to both receive interim relief on its debt service falling due and to access fresh funds and new investments critical to boost growth and alleviate poverty. Finally, the removal of most fuel subsidies and the unification of exchange rates are expected to reduce deficit monetization and slow down the pace of monetary expansion and inflation. But as Sudan races to achieve these objectives, a sustained implementation of policies to create favorable conditions for private sector-led growth are imperative, because of GoS' limited capacity to mobilize capital in the short term, due to its reduced fiscal space and the complications it faces to increase tax revenue mobilization.

4. **MSME development is critical to take advantage of Sudan's potential for growth and job creation of Sudan's private sector.** While a large portion of the country's wealth is accumulated by large conglomerates, MSMEs account for the majority of private sector businesses and jobs in Sudan¹. According to the 2014 WBG Enterprise Survey and to the latest report on private sector development published by the AfDB,² most formal agricultural enterprises and almost 93 percent of non-agricultural formal firms are MSMEs. In the same report, 8.2 percent of Sudanese firms reported female participation in ownership compared to a 36 percent average in sub-Saharan Africa. Similarly, according to the ILO, about 20 percent of the jobs in Sudan are accounted for by the formal MSME sector³. The UNDP recently estimated that the informal sector, which is almost solely comprised of MSMEs, is estimated to employ about 65 percent of Sudanese prime aged (25-54 years old) workers.⁴ However, MSMEs are often not realizing their full potential to be the engine of growth for the economy. According to a study by UNDP and ILO, MSMEs are generally managed by people without adequate knowledge and skills, generally produce relatively low-quality goods, and frequently have difficulties securing supplies and marketing their products.⁵ But there is enormous potential to address these gaps and enhance MSMEs productivity that can drive employment generation and economic growth.

5. **Entrepreneurial activity in Sudan, while sizeable, is largely untapped.** According to a 2018 survey by the Global Entrepreneurship Monitor (GEM), interest in entrepreneurship and entrepreneurial intent are both high in Sudan. Specifically, 79 percent of the adult population (male and female) in the country believes entrepreneurship to be a desirable career option, and more than 69 percent say that they intend to start a business within three years. Relatedly, 71 percent of the population see good opportunities to start a firm in the area where they live. However, conversion of this interest and intent into the creation of jobs is low (for instance only 68.7 percent of female respondents consider themselves as having the knowledge, skill, and experience required to start a new business, compared with 80.5 percent of male respondents). This is partly because not everyone that intends to create a venture ends up being able to establish a business (i.e., only about 23 percent of the population is involved in an entrepreneurial activity) but also due to the low quality of the businesses that are created. Not only does Sudan have the highest rate of business discontinuation in its region, the few businesses that do survive also have low levels of innovation and job generation. In effect, the 2014 Global

¹ There is no universal classification/definition of MSMEs in Sudan, so the referenced reports have adopted specific definitions.

² African Development Bank Group. Private Sector-led Economic Diversification and Development in Sudan. 2016.

³ Ahmed Abou El-Yazeid, Sudan's Small and Medium Enterprises, Thematic Paper prepared for the ILO/UNDP project "SUDAN: Support to the development of a National Employment Framework", September 2013.

⁴ UNDP Sudan. COVID-19 Socio Economic Impact Assessment for Sudan. April 2020.

⁵ UNDP & ILO. Skills Development in Sudan – The formal and Informal Reality. September 2013.



Innovation Index ranks Sudan last amongst 141 countries evaluated, and more than 70 percent of early-stage entrepreneurial activities offer no jobs for employees.⁶

6. Supporting women and youth led MSMEs can have an especially significant impact on economic development.

Women and youth are particularly disadvantaged in the Sudanese labor market. The unemployment rate among women that are economically active is more than twice that of men (19 percent vs. 8 percent), even considering that only 33 percent of working-age women participate in the country's labor force, compared to around 75 percent of men.⁷ Employed women are disproportionately engaged in agriculture, which is predominantly subsistence based and characterized by low wealth generation. Similarly, youth unemployment rate is 22.3 percent compared to an average unemployment rate of 11.3 percent for the country.⁸ Furthermore, the likelihood for women and youth to be in the labor force or employed is 38 and 65 percent lower for those with at least primary education compared to those with higher levels of education.⁹ In addition to women's low labor force participation rate, female participation in firm ownership is also only 8 percent compared to 36 percent in Sub-Saharan Africa (SSA).¹⁰ On the other hand, women and youth have very high rates of entrepreneurial activity in Sudan. In effect, the early-stage entrepreneurial activity of women and young people are higher in Sudan than in all other countries surveyed by GEM in 2018 except Lebanon.¹¹

Sectoral and Institutional Context

7. Sudan's institutional framework and support agenda for MSMEs is inadequate.

Though some progress has been made with recently established entities like the Ministry of Investment and International Cooperation (Moi), they are at a nascent stage and face significant technical and capacity challenges.¹² Other institutions necessary to create a business environment that enables private sector investment (e.g., competition authority) are also non-existent. Furthermore, the MSME support agenda remains fragmented, lacks coordination and a clear strategy, and is devoid of strong champions. Effectively, there is no country-specific definition of MSMEs (and no specific policy framework to inform this classification), no clearly defined strategies to foster the MSME agenda, and no ownership of that agenda by a single government body.

8. Access to finance is a key constraint for the growth of MSMEs and startups in Sudan.

The country has one of the lowest levels of financial inclusion and MSME access to finance in Sub-Saharan Africa. According to the most recent Global Findex data available for Sudan (2014) only 15.3 percent of Sudanese adults had a financial account, with women and the poor particularly underserved. Similarly, only 4.6 percent of all Sudanese firms and 2.7 percent of small firms had access to a loan or line of credit from a bank. This is well below the average of 34.2 percent for sub-Saharan Africa (Enterprise Survey, 2014). Sudan's MSME financing gap is thus estimated to be almost 2000 percent of its current supply of credit or 26 percent of the country's GDP.¹³ Similarly, startups typically struggle to receive formal financing given their lack of historical financial records, negative cash flows, and high uncertainty of business success. Informal financing is also scarce

⁶ A/Rahman W., Alshiehk L., Mubashar N., Alsaeed M. and Yassin M. (2019). Global Entrepreneurship Monitor: Sudan National Report 2018/2019.

⁷ World Bank. The Labor Market and Poverty in Sudan. May 2019.

⁸ World Bank staff calculations based on data from NHBPS 2014/15 – 2019 WB report on Labor Market and Poverty in Sudan

⁹ World Bank. The Labor Market and Poverty in Sudan. May 2019.

¹⁰ World Bank. Sudan – Woman and Youth Employment Report. June 2020.

¹¹ A/Rahman W., Alshiehk L., Mubashar N., Alsaeed M. and Yassin M. (2019). Global Entrepreneurship Monitor: Sudan National Report 2018/2019.

¹² Entities met during SWAYE's pre-concept mission in July 2021, requested that the project include tailored capacity building and technical assistance activities in the project to support them in driving the MSME agenda.

¹³ International Finance Corporation. MSME Finance Gap – Assessment of the Shortfalls and Opportunities in Financing MSMEs in Emerging Markets. 2017.



for Sudanese entrepreneurs. According to the 2018 GEM survey, while Sudan is the country with the highest proportion of startups depending on informal finance in its region, it is also the country with the lowest average funds invested informally.¹⁴

9. **Women and youth led MSMEs and startups face additional constraints to access financing.** Structural factors such as legal frameworks, patriarchal customs, and land and property rights constrain women and youth and impact their ability to access finance and run a business.¹⁵ Women are compelled to make different decisions than men because they are constrained by gender specific-factors due to the contexts they operate, their endowments, and household-related factors that in turn influence their strategic decisions and impact the productivity of their businesses.¹⁶ According to the 2014 WB Enterprise Survey, the percent of female-led firms that cited access to finance as their biggest obstacle is almost double the percent of male-led firms that did so. There are various reasons for this, including that they are less likely to have access to productive resources, including land titles which can be used as collateral, and some banks are reluctant to lend to those with whom they do not have a personal connection or *wasta*¹⁷ (which is commonly held by men than women). While other development partners (e.g., AfDB) have started to design sector-specific project interventions¹⁸ to mitigate these constraints, there is still a long way to go.

10. **Business Development Services (BDS) support is extremely limited for MSMEs in Sudan.** Most MSMEs receive minimal public support to upgrade technical skills or access advanced market knowledge, and entrepreneurship training and BDS support, and when it does exist, it is generalized and rarely industry-specific or technical in nature¹⁹. A few government and donor-funded programs exist that provide BDS to MSMEs, but outreach is limited. There is an extremely limited private market for BDS, and almost no internationally recognized professional services firms exist in the country.

Relationship to CPF

11. **The proposed project is fully aligned with the World Bank Group's twin goals of eliminating extreme poverty and boosting shared prosperity as articulated in the Sudan Country Engagement Note (CEN) FY21-22.** The CEN has two focus areas: (1) re-engagement and (2) contributing to a renewed social contract; and a cross-cutting theme of promoting inclusion and citizen engagement. The project will contribute to the Objective 2.3: Strengthening Service Delivery under Focus Area 2: Contributing to a renewed social contract. Sudan has cleared its arrears to the IDA, enabling full re-engagement with the World Bank Group (WBG) and paving the way for accessing approximately US\$2 billion in IDA grants. The upcoming IDA period will focus on poverty reduction and sustainable economic recovery. The project will contribute towards the achievement of both focus areas, in collaboration with other Global Practices.

¹⁴ Global Entrepreneurship Monitor, Sudan 2018

¹⁵ Etang et al., 2021. "Towards a more inclusive economy: Understanding the Barriers Sudanese Women and Youth Face in Accessing Employment Opportunities"

¹⁶ Campos et al, 2019, "Profiting for Parity: Unlock the Potential of Women's Businesses in Africa", <https://openknowledge.worldbank.org/handle/10986/31421>

¹⁷ Arabic word that loosely translates into "who you know"

¹⁸ For instance, AfDB's Accelerating Women Entrepreneurship and Access to Finance (AWEAF) Project aims to improve access to finance for women owned firms: (i) by rolling out a Repayable Grant Facility (RGF) that will financially support 100+ women run start-ups; and (ii) by providing technical assistance on gender responsive financing to PFIs. Similarly, under the AfDB's Enable Youth Program, a Risk Sharing and Finance Mechanism (RSFM) was designed to encourage financing institutions channel their finance towards the agricultural sector and agricultural value chains, targeting the youth segment. So far, the RSFM is working directly with 8 PFIs, selected according to specific criteria approved by a National Steering Committee.

¹⁹ Based on discussions with the Sudanese Business Federation, Women in Business Platform and a selection of cross-sectoral MSMEs.



12. **The project will support the World Bank Group Gender Strategy (2016 to 2023).** The WBG Gender Strategy calls for better country-level diagnostics on gender gaps to “highlight how closing the key gender gaps in endowments, economic opportunities, and voice and agency would boost the attainment of the WBG twin goals.” It is critical to pursue this goal as part of the effort to improve the situation in Sudan.

C. Proposed Development Objective(s)

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The project development objective is to increase entrepreneurship and access to finance for MSMEs, focusing on women and youth owned/managed MSMEs.

Key Results (From PCN)

13. The achievement of the PDO level results will be measured by three 3 high-level indicators, which will be further refined during preparation.
- (i) Number of new MSMEs formally registered (disaggregated by firms owned/managed by women, youth)
 - (ii) Number of MSMEs receiving finance from participating financial institutions (disaggregated by firms owned/managed by women, youth)
 - (iii) Number of MSMEs reporting improvement in capabilities or access to markets (disaggregated by firms owned/managed by women, youth)

D. Concept Description

14. The project components are listed below and were identified during discussions with MoI and CBOS, along with other key public and private sector stakeholders.

Component 1: Improving the enabling environment for MSMEs and Entrepreneurship. This component aims to address key institutional, policy, regulatory and technical bottlenecks that hamper the development of MSMEs and entrepreneurial ventures owned by women and youth. This will include:

- Strengthening Institutional, Legal and Regulatory Framework
- Targeted technical assistance/capacity building at relevant institutions key to driving the MSME agenda
- Enhancing payment systems and market infrastructure
- Capital Markets Development

Component 2: Access to finance for MSMEs and startups. This component aims to increase access to affordable finance for women and youth owned/managed MSMEs and startups, through liquidity support, risk sharing and technical assistance.

Component 3: Enhancing the capabilities of women and youth owned MSMEs and startups. This component aims to develop entrepreneurial skills, improve MSMEs capabilities to grow, and ultimately enhance the overall competitiveness of MSMEs through Business Development Services (BDS), with a particular focus on women and youth owned/managed



MSMEs.

Component 4: Project Management and Coordination. This component will finance support for project implementation.

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Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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Note: To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document. **Please delete this note when finalizing the document.**

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APPROVAL

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