H.E. Ibrahim Ahmed Elbadawi  
Minister of Finance and Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box 298  
Khartoum  
Republic of Sudan

Re: SMPF Grant Agreement for the Additional Financing for the Sustainable Livelihoods for Displaced and Vulnerable Communities in Eastern Sudan Project Phase II – (Youth Employment for Private Sector Development, Peacebuilding and Social Cohesion)  
Grant No. TF0B1888  
Letter Agreement

Excellency:

In response to the request for financial assistance made on behalf of Republic of Sudan (“Bank”), I am pleased to inform you that the International Development Association (“Donors”) acting as administrator of grant funds provided by various donors under the Sudan Multi-Partner Fund, proposes to extend to the Recipient an additional grant in an amount not to exceed five hundred thousand United States Dollars (USD 500,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date this Agreement, and returning one duly executed copy to the Bank.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Carolyn Turk
Country Director, Ethiopia, Eritrea, Sudan and South Sudan
Africa Region

AGREED:

REPUBLIC OF SUDAN

By

H.E. Ibrahim Ahmed Elbadawi
Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning

Date: 8 March 2020

Enclosures:


(2) Disbursement and Financial Information Letter of the same date as this Agreement, together with the "Disbursement Guidelines for Investment Project Financing", dated February 2017.
Article 1
Standard Conditions; Definitions

1.01. Standard Conditions. The Standard Conditions (as defined in Section 1.02 below) constitute an integral part of this Agreement.

1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Section:

1. "Affected Person" means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


3. "Beneficiaries" means Eligible Youth, individuals or local community groups, which have met the eligibility criteria set forth in the Operations Manual and are eligible to receive Subgrants.

4. "Category" means a category set forth in the table in Section 3.01 of this Agreement.

5. "CDC" means Community Development Committee, a group of community members, including youth and women to organize communities to develop environmental management action plans and carry out a portfolio of small-scale work, to achieve Project objective.

6. "Eligible Youth" means individual or group entrepreneurs who meet basic eligibility requirements, including age, financing limits, and business ideas satisfactory to the World Bank, as further detailed in the Operations Manual.

7. "ESMF" means the Recipient's updated environmental and social management framework to be adopted and disclosed in-country on March 31, 2016 and in the Bank's website on March 31, 2016 describing the rules, guidelines, procedures, timetables and plans to assess environmental and social impacts of the Project and defining measures to reduce, mitigate or offset adverse environmental and social impacts and enhance positive impacts of Project, referred to in Section 2.03 B(iii) of the Annex to this Agreement, as the same may be amended from time to time with the prior written approval of the World Bank, as referred to under Section 2.03.B.ii(a) of the Annex to this Agreement.
8. "ESMP" means an environmental and social management plan, which may as appropriate be a simplified checklist, to be prepared for every Subproject with potential environmental and social impacts defining: (a) the measures to be taken during the implementation of a particular activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as such ESMP may be amended from time to time with the prior written approval of the World Bank, as referred to under Section 2.03.B.ii(a)(i) of the Annex to this Agreement.


10. "FAB" means the Federal Advisory Board as referred to under Section 2.03 A(i) of the Annex to this Agreement.


13. "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).

14. "Operations Manual" means the updated manual approved by the World Bank and adopted by the Recipient in accordance with the provisions of Section 2.03 B(i) of the Annex to this Agreement, as the same may be amended from time to time with the prior written approval of the World Bank, and such term includes any annexes and schedules to such manual.

15. "Original Grant Agreement" means the grant agreement between the Recipient and the International Development Association ("World Bank"), acting as administrator of the State and Peace-Building Multi-Donor Trust Fund, effective as of November 29, 2016 (Grant Number TF0A3002).

16. "PCU" means the Project Coordination Unit, established within the Recipient’s Ministry of Finance and Economic Planning, as referred to under Section 2.03 A(ii) of the Annex to this Agreement.


18. "RAP" or "Resettlement Action Plan" means any resettlement plan, prepared and implemented in accordance with the RPF, as referred to under Section 2.03.B.ii(a)(ii) of the Annex to Agreement.
19. "RPF" means the Recipient’s resettlement policy framework to be adopted and disclosed in-country on March 31, 2016 and in the Bank’s website on March 31, 2016, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the written agreement of the World Bank, as referred to in Section 2.03.B.ii(a) of the Annex to this Agreement.

20. "SPU" or "ESTSI-CA" means the State Project Unit as referred to under Section 2.03 A(iv) of the Annex to this Agreement.


22. "State" means the second tier of government in the Recipient’s administrative system as set forth under Article 177 of the Constitution of the Republic of the Sudan of 2005, as amended to the date of this Agreement.

23. "Subgrants" means livelihood grants by the Recipient to a Beneficiary, to be made under part IV of the Project, in accordance with the provisions set forth in Section 2.03 B(iii) of the Annex to this Agreement and further detailed in the Operations Manual.

24. "Subprojects" means specific development projects to be carried out by a Beneficiaries under Part IV of the Project, under the terms, conditions and procedures set forth in Section 2.03 B(iii) of the Annex to this Agreement and described in detail in the Operations Manual.

25. "Subgrant Agreement" means an agreement between the MFEL and the Beneficiary to carry out a Subproject under Part IV of the Project, in accordance with the provisions set forth in Section 2.03 B(iii) of the Annex to this Agreement and described in detail in the Operations Manual.

26. "TWG" means the entity referred to in Section 2.03 A (iii) of the Annex to this Agreement.

27. "Training and Workshops" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants' services).
Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project strengthen the capacity of local stakeholders, including state authorities, displaced persons and vulnerable host communities, to plan and implement improved livelihoods and natural resource management practices. The Project consists of the following parts:

Part I: **Development of Local Structures and Capacities (Including Project Management)**

(a) **Capacity Building:** Building the capacity of local government structures, project staff, and target communities, in areas functional to Project objectives, namely sustainable environmental management, improving livelihoods service delivery, and development planning techniques for rural internally displaced persons and host communities, including literacy training for target communities, and strengthening of local vocational training capacity.

(b) **Communications and Sensitization:** Developing a robust public information strategy to (i) inform the beneficiaries, host communities, and the local stakeholders about the scope of the program, its advantages and components, and help manage expectations; (ii) promote widespread adoption of new practices and technologies; (iii) strengthen the link between environmental protection and tangible social and economic benefits; and (iv) educate local stakeholders on the social, economic, and health impacts of environmental degradation, and measures to mitigate such effects.

(c) **Project Evaluation:** Conducting evaluations of the project at midterm and at project completion.

(d) **Project Management:** Carrying out of activities for overall administration, coordination, management and implementation of the Project.

Part II: **analyses and Technical Assistance**

(a) **Research Studies:** Carrying out research studies, assessments and analyses to technically support the Project activities in target communities, including: (i) examination of social, cultural, and economic conditions in communities; (ii) exploring opportunities for sustainable natural resource management interventions; (iii) dissemination of the results of these studies, in coordination with the PCU, through various fora; and (iv) production of records to track study outputs.

(b) **Technical Assistance:** (i) Providing technical support and guidance in the Project design that may be increased at key intervals; and (ii) providing training to local stakeholders in sustainable environmental management techniques, if needed.
Part III: **Community Small Works Support**

(a) **Community Small Works Support**: Provision of small works support to selected communities, through a participatory, community-driven approach, and bringing together community members into a Community Development Committee (CDC) to organize communities to draft environmental management action plans and to carry out a portfolio of small scale work, including improved agriculture management, improved animal production, irrigation and drainage, forestry, environmentally-friendly civil works upgrades, and income diversification, as well as technical oversight of small works implementation on a shared cost basis with the selected communities and midterm assessments to determine eligibility for continued Project support.

(b) **Community Champions Program**: Provision of training to exceptional performers in the community to serve as civic leaders, ambassadors and trainers to other target communities in order to support the cross-fertilization of knowledge on sustainable nature resource management practices and empower communities to become civically engaged.

Part IV: **Economic Livelihoods and Benefit Trans-Passing**

(a) **Livelihood Grants**: Provision of livelihood grants ("Subgrants") by the Ministry of Finance, Economy and Labor in the State of Kassala ("MFEL") to individual households in target communities ("Beneficiaries") to pursue income generating activities ("Subprojects"), which includes having communities select beneficiary households, identify livelihood priorities, vet the proposals through technical experts, and receive vocational training in the chosen area of income generation.

(b) **Joint Initiatives**: Provision of livelihood Subgrants by the MFEL to selected community groups as Beneficiaries, with preference given to women and youth groups, for group income-generating Subprojects not adequately covered by Part IV(a).

(c) **Benefit Trans-Passing**: Developing a system through which Beneficiaries of individual livelihood Subgrants accept obligations through their respective Subgrant Agreements to repay the value of the Subgrant received to their respective Community Development Committee (CDC), in coordination with the respective locality government, under terms and conditions described or referred to in more detail in the Operations Manual and satisfactory to the World Bank. The communities thereafter avail Subgrants to further Beneficiaries within the community, as further detailed in the Operations Manual.
(d) **Youth Entrepreneurship**: Supporting youth entrepreneurship opportunities in target Project locations, through, *inter alia*: (i) the provision of livelihoods Subgrants to Eligible Youth to be used for financing viable business plans to cover initial investments or business expansion; and (ii) capacity building support to eligible youth to develop business proposals, improve technical capacity, and provide follow-up support.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MFEL, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II

2.03. **Institutional and Other Arrangements.**

(A) **Institutional Arrangements.**

**Federal Level**

(i) **Federal Advisory Board (FAB):** The Recipient shall maintain at all times during Project implementation the Federal Advisory Board, with membership, terms of reference and resources acceptable to the World Bank, for ensuring regular consultations with partners and government oversight at the Federal level.

(ii) **Project Coordination Unit (PCU):** The Recipient shall maintain at all times during Project implementation the PCU with staffing, including a program coordinator, finance officer, procurement officer and an environmental specialist, with terms of reference and resources acceptable to the World Bank, to be responsible for, *inter alia*, implementation, management and coordination of the Project, as further detailed in the Operations Manual.

**State Level**

(iii) **Technical Working Group (TWG):** The Recipient shall maintain at all times during Project implementation the Technical Working Group including representatives of the state ministries participating in the Project, the Commissioners of target localities in Kassala, and the Humanitarian Aid Commission (HAC), with membership, terms of reference and resources acceptable to the World Bank, as detailed in the Operations Manual, to be responsible for ensuring regular consultations with partners and government oversight at the State level.
(iv) **State Project Unit (SPU):** The Recipient shall maintain throughout the implementation of the Project, the SPU with staffing, including a project manager, a monitoring and evaluation/communications specialist and a livelihood officer, with terms of reference and resources acceptable to the World Bank, to be responsible for, *inter alia,* undertaking day-to-day operations of Parts I, III and IV of the Project.

(v) Without limitation upon Section 2.03(A)(ii) above, the PCU shall report to the MFEL activities to be implemented under Part IV of the Project, as further detailed in the Operations Manual.

(B) **Implementation Arrangements**

(i) **Operations Manual**

(a) The Recipient shall not later than 30 days after the effective date of this Agreement, to update, and thereafter maintain the Operations Manual, in a manner and substance satisfactory to the World Bank, which manual *inter alia* shall include: (A) Project implementation arrangements; (B) procurement procedures and standard procurement documentation; (C) reporting requirements; (D) financial management and audit procedures; (E) monitoring and evaluation arrangements; (F) eligibility criteria, operating procedures, guidelines for selection, approval, implementation, monitoring and evaluation of Subprojects under Part IV of the Project; (G) eligibility criteria for selection of Beneficiaries receiving Subgrants under Part IV of the Project, as well as schedules and modalities of delivering such Subgrants; (H) detailed procedures and criteria for Benefit-Transferring under Part IV(c) of the Project; and (F) such other administrative, financial, technical and organizational arrangements and procedures as are required for the Project.

(b) The Recipient shall afford the World Bank a reasonable opportunity to exchange views with the Recipient on said Operations Manual, and thereafter, shall adopt such Operations Manual, as shall have been approved by the World Bank ("Operations Manual").

(c) The Recipient shall ensure that the Project is carried out in accordance with the Operations Manual; provided, however, that in case of any conflict between the provisions of the Operations Manual, and those of this Agreement, the provisions of this Agreement shall prevail.

(d) The Recipient shall not amend or waive any provisions of the Operations Manual without the prior written agreement of the World Bank.

(ii) **Environmental and Social Safeguards**

(a) The Recipient shall carry out the Project in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the Environmental and Social Management Framework (ESMF) and the Resettlement...
Policy Framework (RPF) to be prepared, consulted upon, and disclosed for the Project. To this end, in cases of any activity requiring the maintenance of a site specific Environmental and Social Management Plan (ESMP) under the ESMF or any subproject requiring the adoption of a site-specific Resettlement Action Plan (RAP) under the RPF, as the case may be, the Recipient shall:

(i) prepare, consult, implement and monitor ESMPs in accordance with the ESMF and in form and substance acceptable to the World Bank, defining:
   (i) measures to be taken during the implementation of the Subprojects to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (ii) plans for monitoring relevant measures; and

(ii) prepare, consult, disclose and implement RAPs in accordance with the RPF and in a form and substance acceptable to the World Bank, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAPs. The proceeds from SLDP II grant will not be used to finance land acquisition or compensation payments.

(b) The Recipient shall not amend or waive, or permit to be waived, the ESMF, RPF, ESMPs or RAPs, or any provision of any one thereof, without the prior written agreement of the World Bank.

(c) The Recipient shall ensure that all measures for carrying out the recommendations of the ESMF, RPF, ESMPs and RAPs are taken in a timely manner.

(d) The Recipient shall include in the Project Reports referred to in Section 2.05 of the Annex to this Agreement, adequate information on monitoring the measures defined in the ESMF, RPF, ESMPs and RAPs, giving details of:

(i) measures taken in furtherance of such ESMF, ESMPs, RPF and RAPs;

(ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF, ESMPs, RPF and RAPs; and

(iii) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such ESMF, ESMPs, RPF and RAPs.
(iii) **Livelihood Grants**

(a) The Recipient shall appraise, approve and monitor Subprojects under Part IV of the Project and administer the Subgrants in accordance with the provisions and procedures set forth or referred to in this Section, as further detailed in the Operations Manual.

(b) The Subprojects shall be carried out under Subgrant Agreements, each such agreement, on behalf of the Recipient, and the respective Beneficiary, and acknowledged by the relevant CDC and locality government, under terms and conditions described or referred to in more detail in the Operations Manual and satisfactory to the World Bank, which, *inter alia*, shall include the following:

(i) the description of the Subproject activities to be implemented under the respective Subgrant Agreement, including the outputs and performance targets to be achieved, the terms for repayment of the value received, and the arrangements for monitoring and reporting;

(ii) the modalities of transfer of Subgrants to the Beneficiary, which should include, *inter alia*, a requirement that the Subgrants are transferred to the Beneficiary only after a Subgrant Agreement between the Recipient and the Beneficiary, acknowledged by the relevant CDC and locality government, where applicable, and satisfactory to the World Bank, has been duly executed;

(iii) the obligation of the Beneficiary to: (a) carry out the specified activities with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, managerial practices, and the Anti-Corruption Guidelines; and (b) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the specified activities;

(iv) the requirement that the goods, works, non-consulting services and consultants’ services to be financed from the proceeds of the Subgrant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the Operations Manual and provisions of Section 2.07 of the Annex to this Agreement, and shall be used exclusively in the carrying out of the specified activities; and

(v) the right of the Recipient, to: (a) inspect by itself, or jointly with the World Bank, if the World Bank shall so request, the goods, works, sites, plants and construction included in the specified activities, the operations thereof and any relevant records and documents; (b) obtain all information as it, or the World Bank, shall reasonably request regarding the administration, operation and financial conditions of specified activities; and (c) suspend or terminate the right of the Beneficiary to use the proceeds of the Subgrant
upon failure by the Beneficiary to perform any of its obligations under the respective Subgrant Agreement.

(c) The Recipient shall exercise its rights under each Subgrant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project, and, except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subgrant Agreement or any substantial provision thereof.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.06. **Project Monitoring, Reporting and Evaluation.** The Recipient shall ensure that each Project Report is furnished to the Bank not later than one month after each calendar semester, covering the calendar semester.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops under the Project</td>
<td>223,750</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subgrants under Part IV of the Project</td>
<td>276,250</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>500,000</td>
<td></td>
</tr>
</tbody>
</table>
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:
(a) for payments made prior to the date of this Agreement; and
(b) under Categories (1) and (2) unless and until the amount allocated under the Original Grant Agreement is fully exhausted.

3.03. **Withdrawal Period.** The Closing Date is November 30, 2020.

**Article VI**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Planning  
P. O. Box 298  
Khartoum  
Republic of Sudan

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Facsimile:  
1-202-477-6391