

Document of
The World Bank

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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT US 3.80 MILLION

TO THE

REPUBLIC OF SUDAN

FOR

REDD+ READINESS PREPARATION SUPPORT
FROM THE FOREST CARBON PARTNERSHIP FACILITY

February 2015

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DATA SHEET

Republic of Sudan

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

Environment and Natural Resources Management Global Practice

Basic Information	
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Date: 23 January 2015 Country Director: Bella Bird Practice Manager/Director: Magda Lovei/ Paula Caballero Project ID: P152322 Lending Instrument: Grant Team Leader(s): Asferachew Abate	Sectors: Forest, Environment and Agriculture Themes: Forestry and Climate Change EA Category: B
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Date of country selection into FCPF: 4 July 2014

Date of Participation Agreement signed by Country: 14 September 2014

Date of Participation Agreement signed by Bank: 29 September 2014

Date of R-PP Formulation Grant Agreement signature: N/A

Expected date of Readiness Preparation Grant Agreement signature: February 27, 2015

Joint IFC: N/A

Project Implementation Period: Start Date: 04/01/2015 End Date: 03/02/2019

Project Financing Data		
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<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	

For Loans/Credits/Others (US \$M):

Total Project Cost : 3.80 Million	Total Bank Financing : 3.80 Million
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Total Co-financing: N/A	Financing Gap : N/A
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Financing Source	Amount
BORROWER/RECIPIENT	
IBRD	
IDA: New	

IDA: Recommended

Others Forest Carbon Partnership Facility (FCPF)

Financing Gap

Total

USD 3.80 Million

Regional FCPF Trust Fund Number: TF 18165

FCPF Country Child Trust Fund
Number:TF018165

Recipient: Republic of Sudan

Responsible Agency: Forests National Corporation (FNC)

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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the FCPF, the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

CBD	Convention on Biodiversity
CBO	Community Based Organization
CSO	Civil Society Organization
EIA	Environmental Impact Assessment
ESMF	Environmental and Social Management Framework
FAO	Food and Agricultural Organization
FCPF	Forest Carbon Partnership Facility
FGRM	Feedback and Grievance Redress Mechanism
FMT	Facility Management Team
FNC	Forest National Corporation
FPIC	Free and Prior Informed Consent
FRA	Forest Resource Assessment
GAPA	Gum Arabic Production Association
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GIS	Geographic Information System
GNI	Gross National Income
GPS	Global Positioning System
HCENR	Higher Council for Environment and Natural Resources
HQ	Head Quarter
IBRD	International Bank For Reconstruction And Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
INS	Interim Strategy Note
LGA	Local Government Act
LMS	Land Monitoring System
MDTF-NS	Multi-Donor Trust Fund –National (Sudan)
MDG	Millennium Development Goals
MoARFR	Ministry of Animal Resources, Fishery and Rangeland
MoEFPD	Ministry of Environment, Forestry and Physical Development
MRV	Measurement, Reporting And Verification
Mt	Megaton (Million Metric Tons)
NFI	National Forest Investment
NGO	Non-Governmental Organization
NRSC	National REDD+ Steering Committee
NWFP	Non-Wood Forest Products
PC	Participants Committee

PDO	Project Development Objective
PRSP	Poverty Reduction Strategy Paper
RPA	Range And Pasture Administration
REDD	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
R-PP	Readiness Preparation Proposal
RTWG	REDD ⁺ Technical Working Group
SESA	Strategic Environmental and Social Assessment
SFMS	Sudan Forest Monitoring System
TAC	Technical Advisory Committee
TOE	Ton Oil Equivalent
TWG	Technical Working Group
UNDP	United Nations Development Program
UNDRIP	UN Declaration of Rights of Indigenous People
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
WBS	World Bank System

Republic of Sudan
Readiness Preparation Proposal Assessment Note

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Republic of Sudan

Readiness Preparation Proposal Assessment Note

I. Introduction and Context

A. Country Context

1. **Location and Administrative Structure.** Sudan is situated in north-eastern Africa with a coastline bordering the Red Sea (Figure 1). It is the third largest country in Africa with a population of 35 million¹. The government administrative structure is composed of a federal government, 18 states and 176 local government councils. The federal level has a national assembly and Council of States composed of two representatives from each state. Each state has its own constitution and the local governments are ruled by the Local Government Act (LGA) enacted by the federal government. The federal and state constitutions as well as LGA stress the principle of autonomy at the different levels of government and the need for mutual respect of this autonomy.

2. **Trend in Economic Growth.** Over the last decade, Sudan enjoyed an average real economic growth rate of seven percent. High real GDP growth and even higher inflation, in a context of a stable nominal exchange rate pegged to the dollar, swelled nominal GDP in US dollars from US\$10 billion in 1999 to US\$65 billion in 2010. In per capita terms, Sudan's GNI rose from around US\$350 per capita in the beginning of 2000 to about US\$1,600 in 2011, putting Sudan nominally in the ranks of lower-middle income countries. Nonetheless, the loss of about three-quarters of oil production owing to the secession of South Sudan in July 2011 led to a substantial increase in the fiscal deficit, a deterioration of the trade balance, and a massive devaluation of the currency. The shock led to the economy contracting by 3.3 percent in 2011 and by a further 11.1 percent in 2012 (IMF estimates). The fiscal deficit has been deepening, reaching an estimated 3.7 percent of GDP in 2012. Sudan maintained a growth rate of 3.2 percent in 2013 compared to 5 percent for Sub-Saharan Africa.

3. **Progress in human development.** Sudan continues to suffer wide and deep swaths of poverty and stark inequality between States. According to the 2009 National Baseline Household Survey the average poverty incidence was estimated at 46.5 percent. The poverty rate was significantly higher in rural areas (58 percent) than in urban areas (26 percent), and varied markedly across states, ranging from 26 percent in Khartoum state to 62.7 percent in Darfur. The high population growth rate (2.7 percent), high fertility rate (5.6 children per family), and uneven population density represent challenges to sustainable development. Overall, human development indicators remain low and Sudan ranks 171 out of 187 countries in the 2013 UNDP Human Development Index. Prospects for Sudan meeting Millennium Development Goals (MDGs) by 2015 are bleak, especially for education and maternal health, hunger and malnutrition in children under 5 years (2013 MDG Report, UN).

4. **A new five year Economic Program.** In November 2014, the Council of Ministers endorsed a new Five-year Economic Program (2015-2019) that aims to sustain economic stability by reducing inflation, stabilizing exchange rate, achieving positive growth rates, ensuring that the budget deficit remains within safe limits and improving tax collection in addition to expanding the tax umbrella without resorting to tax increases. The program will focus on productive sectors including agriculture, infrastructure, and transport with a special focus on railway and river transport.

¹ Population size in 2013, estimate is based on the 2008 census, UNFPA, 2012.

5. **Contribution of natural resources and forests to livelihoods.** Like in other Sahelian countries, livelihoods in Sudan depend heavily on soil, water and vegetation resources. It is estimated that agriculture (crops, livestock and forestry) contributes 35-40 percent of GDP (with livestock accounting for 50 percent of the production) and employs more than 80 percent of the total population (Lee, et al, 2013). Traditional farming accounts for 60-70 percent of the agricultural output, and is largely subsistence production based on shifting cultivation and livestock rearing (Badri, 2012). The contribution of forests to the national economy is under-estimated where the formal national accounts reveals an under-estimation of the forestry sector to the GDP in the range of 3 percent. The 1994 energy consumption study confirmed that the per capita consumption of fuel wood is 0.7 m³/annum which, when converted into Ton/Oil Equivalent (TOE), could be valued at nearly 2.0 Billion US dollars. Moreover, Non Wood Forest Products (NWFP) are diverse and make substantial contribution in the livelihood at the household level and at the national economy.

6. **Climate change poses significant challenges to Sudan.** Not only will many of its important ecosystems and natural resources be adversely affected, but its farmers and pastoralists - spread over thousands of villages from northern desert regions to southern forests - will face increasing difficulty in wresting their livelihoods under conditions of rising heat stress and recurrent drought. Throughout much of the country, water resources are limited, soil fertility is low, and drought is common. These underlying conditions are exacerbated by a range of human pressures, creating a situation in which Sudan is already highly vulnerable to recurrent climatic shocks - and apart from taking adaptive measures - will become even more vulnerable in the face of future climate change. The government is cognizant of these changes and its impact on its peoples. As a result a National Adaptation Program of Action (NAPA) has been developed by the Ministry of Environment Higher Council for Environment and Natural Resources, Physical Development. The overall goal of the NAPA process in Sudan has been to identify urgent and immediate activities to address climate variability and climate change within the context of the country's economic development priorities.

7. Furthermore, Sudan has been actively seeking to mainstream adaptation to climate change through its 10-year Comprehensive National Strategy (1992-2002) and 25-year comprehensive National Strategy that require the inclusion of climate and vulnerability issues into development policies. There are many ongoing national policy processes that have parallel aims to climate change adaptation such as the poverty reduction strategy roll back malaria, water harvesting programs. It is understood by the government that Sudan needs both adaptation and mitigation measures in order to combat climate change.

8. **Preparation for REDD+ will enhance Sudan's ability to contribute to mitigating the impacts of climate change in addition to enhancing the sustainable management of forests.** The REDD+ readiness preparation activities undertaken as part of this grant from the Forest Carbon Partnership Facility grant will lay the foundations for more sustainable forest management, to meet Sudan's national goals of i) conserving the country's renewable natural resources, and ii) facilitating sustainable land use management, eventually providing benefits to the millions of people that depend on the forest for their livelihoods and wellbeing. REDD+ is an opportunity to assist Sudan to undertake a participatory national forest and land use planning exercise that will contribute to mitigating impacts of deforestation and forest degradation, including from developments in other sectors (such as agriculture and energy), and existing land tenure arrangements. The long-term protection of forests, better land use planning, practices and governance, restoration of degraded land, and improvements in local livelihoods and resilience will also contribute to the achievement of Sudan's broader development, environmental and climate change goals.

Figure 1. Republic of Sudan



B. Sectoral and Institutional Context

9. **Types of vegetation resources.** A wide variation of rainfall and soils has rendered Sudan with a variety of forests and related vegetation types. The vegetation of Sudan can be broadly categorized² into seven major types: i) desert, ii) semi-desert Acacia scrub and short grasses, iii) low woodland savanna, iv) deciduous high woodland savanna and grassland, v) modified tropical rain forests, vi) riverine, and vii) plantation forest types.

10. **Forest cover and trends of deforestation.** FAO Forest Resource Assessments for Sudan, before the secession of South Sudan estimate forest cover and forest cover change data for 1990-2000 and 2000-2010, however an official assessment does not exist for the present territory. The Forest National Corporation (FNC) is currently in the process of making these calculations and early estimates indicate current forest cover is approximately 19.2 million ha. This amounts to just over 10 percent of the national territory, with a deforestation rate of 174 415 ha/yr (0.9 percent loss). The FNC estimates that other

² Harrison and Jackson (1958) and UNEP 2005

wooded lands make up an additional 20.7 million ha with a deforestation rate of 186,610 ha/yr (0.9 percent loss). Thus, over four million ha of forest has been lost since 1990, of which over 21 percent (872,000 ha) has occurred since 2010.

11. **Drivers of deforestation and forest degradation.** No systematic assessment of the drivers of land use change and their underlying causes exists at the national level. The consultations conducted during the preparation of the R-PP identified the following three important drivers deforestation and forests degradation:

- *Agricultural expansion:* The most prominent direct cause of deforestation in Sudan is the conversion of natural forests to cropland and pasture. Some 17 million ha have been converted into mechanized and traditional rainfed and irrigated agriculture during the period 1940-2012. Availability of large irrigation schemes such as Gezira, Rahad, New Halfa, Suki, Kenana and White Nile Sugar Schemes contributed to the conversion of natural forests to crop land and pasture.
- *Energy consumption:* The energy sector is closely linked to deforestation through wood extraction for fuel and charcoal. Sudan depends mainly on the forest sector as a household, services and industrial energy source. Forests contribute the equivalent of 4.11 million TOE representing 70 - 81 percent of energy supply in the country (FNC, 1995). Demand for wood fuel increased in the last four decades due to rapid population growth, urbanization and shortage in supply of other forms of energy. Sudan consumed a total of 21 million m³ round wood in 2010 including wood fuel, construction, maintenance and furniture wood. The wood fuel share of the total wood consumption is estimated to be 87.5 percent.
- *Increasing demand from livestock:* With the second largest livestock population on the continent and open grazing system, grazing by livestock has caused serious impediment to the natural restocking of forest stands. Overgrazing can result in a slowing of root growth, diminished soil moisture-carrying capacity, and overall loss of plant vitality, making the forest ecosystem more vulnerable to disease and suppression and replacement by invasive species.

12. Other drivers of deforestation identified during the R-PP preparation included drought and desertification, pressure from refugees, poor forest policy and lack of concerns for forest resources by other sectors such as agriculture, energy and mining.

13. **Addressing drivers, and opportunities to make a difference.** Generally, activities that reduce deforestation incur opportunity costs (foregone profits from wood, agricultural and livestock sales) as well as forest protection policy and administration costs. The mitigation costs can be divided into two categories: capacity building costs (e.g. carbon measuring and monitoring capacity) and on-going costs (including opportunity costs and forest protection costs). The most effective means of reducing deforestation and degradation is to use an integrated approach to development and natural resources management. The strategic options that will be analyzed as part the readiness grant and the in-depth analysis of the drivers of deforestation and forest degradation are areas where competing development and basic human livelihood needs put pressure on forest areas. Understanding the dynamics of pressures on forest resources and the various needs they meet will enable Sudan to develop effective strategies for reducing GHG emissions from deforestation and simultaneously promote activities for improving livelihoods.

14. **Government action to tackle deforestation:** The Forest National Corporation (FNC) has been carrying out forest development activities especially in the savannah area. These activities are based on the Forest Resource Assessment (FAO, 1990) which provided the institutions with important tools and capacity in forestry resources development. The activities promoted by the FNC in the forestry sector include introduction of agro-forestry practices, tree planting, community forests conservation programs,

energy-saving cook stoves and distribution of gas cookers (to reduce waste wood consumption). Some of the key projects that the Government has recently executed or that are currently active and can contribute to the REDD+ process include

- Rehabilitation Program of the Nabag Forest that started in 2004 with the objective of rehabilitating degraded forest for the protection, conservation, production and sustainable management of Nabag forest for the purpose of poverty reduction and environmental conservation.
- Integrated Carbon Sequestration Project (Butana area), a joint GEF/IFAD/FNC project (2012), that aims at promoting a climate-friendly rural development path in Central and Eastern Sudan by increasing the carbon stock and reducing net GHG emissions through reforestation and sustainable forest management, and through promoting sustainable energy from biomass. This project will provide important lessons to the proposed project in terms of reforestation, agroforestry and water harvesting technologies.
- Revitalizing the Sudan Gum Arabic Production and Marketing Project that provided, with World Bank support, financial services, water services, transportation, seeds and seedlings for re-farming gum gardens of the households in the target area. The project contributed to the formation and capacity building of Gum Arabic Production Associations (GAPAs) as a pertinent platform for revitalizing the gum Arabic sector in different localities of the Blue Nile, Sennar, White Nile, North and South Kordofan States.

15. **Institutional setup.** At the national level, the Ministry of Environment, Forestry and Physical Development (MoEFPD) and the Ministry of Animal Resources, Fisheries and Range (MoARFR) are the main institutions in charge of natural resources planning and management. They are mandated to undertake policy formulation, planning and monitoring of developments, research and extension services in the forestry sector. Other key agencies include:

- The Higher Council for Environment and Natural Resources (HCENR) which was established in 1991 in order to coordinate and advise on effective policies, laws, plans and institutions to address deforestation in Sudan. The HCENR is affiliated to the MoEFPD. HCENR represents Sudan as the focal point for most of the global conventions on the environment (e.g. UNFCCC, CBD) and is responsible for ensuring Sudan's compliance with its obligations under these treaties. Branches of the HCENR operational in some States under the chairmanship of the State Governors (Wali). The functions of these branches are to implement the general policies formulated by HCENR, to monitor implementation of development program relating to natural resources, and to collect data and gather information on negative or adverse changes in the environment.
- The Forest National Corporation (FNC), a semi-autonomous body within the MoEFPD, was created in 1989 with the responsibility of coordinating forestry development, planning, formulating and implementing policies and related to forests and woodland management. Some of the additional functions of the FNC are to increase the area of reserved forest to a minimum of 20 percent of the total area of the country, intensify tree plantations for the purpose of protection and production, and coordinate the various bodies to implement general forest policies and undertake research.
- The Range and Pasture Administration (RPA) is in charge of planning, conservation and development programs, protection of rangelands against brushfires, rehabilitation of degraded rangelands and execution of national and internationally assisted projects. The RPA is decentralized and Range and Pasture Administrators are established at State level affiliated to the States' Ministries of Agriculture. The federal RPA is under the Federal Ministry of Agriculture and Irrigation affiliated to the General Administration for Natural Resources.

16. **Decentralized governance at State and local levels.** Each of the 18 States in Sudan has an executive (Governor and Council of Ministers), legislative (State Legislature) and judicial branches (State Judiciary). The executive branches are responsible for implementing national laws and developing state-specific policies and programs. The FNC, REDD+ readiness project implementing agency, has State level technical divisions reporting to the FNC headquarter³. At the local level, local associations, farmer/producer and grass roots groups such as farmers associations, village councils, agricultural cooperatives, women's groups, youth groups, vocational training centers, market vendors, livestock producer associations, unions⁴, and service providers are involved with the management of forest resources.

17. **Policy and legal framework.** Legislation on the use of forest resources has a long history in Sudan. The first legislation was the Forests Ordinance which was issued in 1901. Following this Ordinance, a number of other regulation were promulgated to promote sustainable forest management. The most prominent Forest Policy and Acts are briefly described below.

- *The Statement of Forest Policy (1986):* The prime objective of this policy is to establish, reservation, protection and management of forest resources for the purposes of production and environmental protection. The Forest Policy promotes forest protection, public participation and the multiple uses of forests.

18. *The Forests Act 1989:* The Forests Act 1989 recognized new types of forest ownership: private, community and institutional forest reserves to be managed by owners, and institutions respectively, in addition to the national and state forest reserves. All these forest reserves would be under the technical supervision of the FNC. Felling trees outside of forest reserves would require a permit to be issued by the FNC. Investors in agricultural schemes were obliged to leave a percentage not less than 10 percent of the total area of a rainfed project and not less than 5 percent of the total area of an irrigated project to grow trees as a shelter belts and wind breaks for the purposes of production and protection.

- *The Forests and Renewable Natural Resources Act 2002:* The Act, provides the framework for the management and protection of forests and renewable natural resources encompassing pasture and rangelands.

19. **Land tenure/ownership in Sudan:** Traditional land use systems prior to the colonial era, were based on traditional tribal leadership and customary laws that organize resource use among communities. After the post 1970 land use policy three categories of land ownership system emerged, including private, government and community land. The majority of land in Sudan is under Government control. Within customary land tenure, there is the tribal homeland with demarcated boundaries recognized by neighboring tribes and local authorities. The tribal land is organized and supervised by Nazir (the chief tribal leader) and includes clan land with a number of villages, each with its land organized and controlled by the village Sheikh. Within the village land, each villager practices private ownership respected and recognized by all. The unclaimed land is used as rangeland or allotted to migrants by the village Sheikh

³ The mandates of the technical divisions are to: (i) conduct forests resources assessments of both gazetted forest reserves and natural forests for the purpose of updating and designing management plans on sustainable basis; (ii) monitor the implementation of the sanctioned management plans; (iii) collect and save the baseline information with regards to the reserved forests and forests proposed for reservations; (iv) follow up and facilitate the forests reservation programs between the FNC at the National level and forests administrations in the States; (v) identify and settle disputes on encroachments in the reserved forests area; and (vi) follow up the progress made by the donor funded forestry projects.

⁴ The law of Sudan allows farmers to be organized in unions. The Gum Arabic Producers Union and the Pastorals Union had the mandate to protect the rights and interests of the gum Arabic crop producers and livestock owners and herders in Sudan.

provided that they respect the traditional rule of surrendering 1/10 of the crop to the Sheikh. As a general rule, land allotted to any person cannot be withdrawn unless the owner leaves the village. Under such circumstances, the land abandoned by any person reverts to the community to be allotted to someone else. In all cases, the owner of the land is free to hire part of his land or dispose of it in the way they like and after death, their children or relatives inherit the land.

C. Relationship to Interim Strategy Note (ISN)

20. **The overarching goal of the Bank's Interim Strategy Note (FY 2014-2015) is to support extreme poverty reduction and enhance shared prosperity in Sudan.** The strategy responds to Sudan's poverty profile, barriers to poverty reduction, and is aligned with the government's strategy as expressed in the I-PRSP. The strategy, structured around two pillars: (i) Manage the Economic Transition; and (ii) Address Socio-economic Roots of Conflict, with a cross-cutting focus on governance and gender contributes directly to the objectives of reducing extreme poverty and increasing shared prosperity in Sudan.

21. **The proposed REDD+ Readiness Preparation process aligns well with the Bank's priorities and will further deepen the Bank's strategy to support integrated sustainable natural resources management and tackle conflicts.** The FCPF grant for REDD+ preparation will contribute to laying the foundations needed for more sustainable management of its land and forest, and to enable Sudan to benefit from possible future systems of international payments for ecosystem services for REDD+. By implementing the readiness activities institutional capacities will be built to promote equitable and transparent benefit sharing schemes to benefit forest-dependent communities from sustainable forest management. The proposed program will also lay the groundwork for Bank's future engagement with Sudan in sustainable forest management once Sudan gains access to IDA funding and other concessional financing -- when it has cleared its arrears and has a sustainable debt service burden.

22. **The ISN identified natural resources management as one of the focus areas under Pillar II.** The government has recognized that access to land, water, and other natural resources are not only sources of conflict among communities but also the lack of clear policy is an inhibitor of growth that can lift rural populations out of poverty through productive use, especially agriculture and livestock. The Bank has been engaged in integrated sustainable natural resources management activities through the Community Watershed Management Project (P111330), Revitalizing the Sudan Gum Arabic Production and Marketing Project (TF094764/P110588) and the Sudan Sustainable Natural Resources Management (P129156). These three projects focused on community action for sustainable natural resources management through integrated landscape approaches to forest, biodiversity, soil and water conservation as well as climate change adaptation and mitigation. See for the details in Table 1.

23. The Bank was also involved in analytical work on Natural Resources and Conflict Management in Darfur (P145752) and Sudan EIA Institutional Capacity Assessment (P149596).

Table 1: World Bank Financed Integrated Sustainable Resources Management Projects Relevant to REDD+ Program in Sudan

Project ID	Name	PDO	Budget (US\$, million)
P111330	Sudan Community Watershed Management Component, of the Eastern Nile Watershed Management Project	To increase the adoption by the three Eastern Nile Countries (Ethiopia, Sudan and Egypt) of sustainable land and water management practices in selected micro-watersheds in the Eastern Nile Basin.	13.73
P129156	Sudan Sustainable Natural Resources Management Project	Increase the adoption of sustainable land and water management practices in targeted landscapes	7.73
TF094764/P110588	Revitalizing the Sudan Gum Arabic Production and Marketing Project	Increase the production and income of small-scale gum Arabic producers in selected areas of the gum Arabic belt through improved performance of the production and marketing systems.	7.0

II. Proposed PDO/Results

A. Proposed Development Objective(s)

24. The Project Development Objective (PDO) is to strengthen Sudan's capacity to design a socially and environmentally sound national REDD+ strategy.

B. Key Results

1. National and state levels institutions are strengthened and are effectively coordinating the implementation of REDD+ readiness activities;
2. A National REDD+ Strategy, incorporating SESA outcomes and recommendations, is prepared and validated by national stakeholders;
3. An Environmental and Social Management Framework (ESMF) for managing potential social and environmental risks of agreed REDD+ strategy options is prepared and validated; and
4. An operational feedback grievance and redress mechanism (FGRM) is in place.

III. Project Context

A. Concept

1. Description

25. Sudan's R-PP states that Sudan is aiming to achieve REDD+ Readiness by the end of 2017. The R-PP presents all activities that the Government of Sudan envisages to achieve REDD+ readiness. The total estimated funding required to achieve this readiness over the next three years is US\$7.82 million, of which US\$3.80 million will be funded by the FCPF. US\$0.32 million will be provided by the Government of Sudan. The Government has requested support from the UN-REDD Programme and the Food and Agriculture Organization (FAO) for the remaining balance of approximately US\$4.0 million, however resource constraints mean that provision of this funding in the near-term is unlikely. There is the potential for Sudan to access up to \$5million additional FCPF funding to implement the remaining activities in its R-PP, if significant progress in implementing the \$3.8million grant can be demonstrated at mid-term⁵. It should be noted, however, such additional funding is not guaranteed, and is subject to various factors including the formal approval from the governing body of the FCPF⁶.

26. In this context, the FCPF grant will fund a first phase of readiness preparation activities. The FCPF grant will be used primarily to support R-PP components 1 (management arrangements, information sharing, stakeholder consultation and participation), 2 (preparation of REDD+ Strategy, including social and environmental assessment), and some aspects of Components 4a (National Forest Monitoring System).

27. This set of initial no-regrets activities were carefully selected on the basis of: (i) importance for building the foundation needed for REDD+ (particularly the necessary capacity), (ii) contribution to Sudan's broader goals of sustainable land and forest resource management, (iii) the Bank's comparative advantage, and (iv) complementarity to other relevant existing World Bank projects in Sudan.. This approach aims to ensure stand-alone benefits for Sudan in the absence of additional donor funding, an emission reductions program targeting results based payments, or an international REDD+ funding mechanism.

2. Project Components

28. The four project components and related sub-components to be financed by the FCPF for the period from 2015-2018 are shown in Table 2.

Table 2: Project components and sub-components

	Project Activities	Budget
<i>1</i>	<i>Support for REDD+ readiness management and institutional arrangements</i>	1,250,000
1.1	Set up and operation of the National REDD+ Management Unit	470,000

⁵ The mid-term review takes place approximately 18-24 months after grant signature and when 50 per cent of grant resources are committed.

⁶ The current term of the FCPF Readiness Fund is until December 31, 2020.

	Project Activities	Budget
1.2	Set up and operation of the National REDD+ Steering Committee, Technical Advisory Committee and REDD+ Technical Working Groups	130,000
1.3	Strengthen sub-national REDD+ institutional structures	300,000
1.4	Capacity building for REDD+ institutional arrangements	100,000
1.5	Feedback and Grievance Redress Mechanism for REDD+	200,000
1.6	Program monitoring and evaluation	50,000
2	<i>Support for national REDD+ Strategy (including Strategic Environmental and Social Assessment)</i>	850,000
2.1	In-depth analysis of drivers of deforestation and forest degradation, including studies on policies, wood-based energy and land tenure and forest governance	350,000
2.2	In-depth analysis of strategic options to address deforestation and forest degradation	200,000
2.3	Strategic Environmental and Social Assessment (SESA) and development of Environmental and Social Management Framework (ESMF)	250,000
2.4	Study on options for benefit-sharing related to REDD+	50,000
3	<i>Support for stakeholder engagement</i>	400,000
3.1	Consultation and participation for activities to be implemented under the FCPF grant	300,000
3.2	Setting up and strengthening of civil society platforms	100,000
4	<i>Support for Monitoring, Reporting and Verification</i>	1,300,000
4.1	Development a National Forest Inventory (NFI)	900,000
4.2	Support for remote sensing	250,000
4.3	Capacity building for forest monitoring activities	150,000
	Total Costs	3,800,000

29. A summary of key activities to be financed by the FCPF is included below.

Component 1: Support for REDD+ readiness management and institutional arrangements (US\$1,250,000)

30. Sudan has acknowledged the importance of putting in place effective multi-sectoral and inclusive institutional arrangements for REDD+ to lead the coordination, management and monitoring of the REDD+ readiness process in Sudan. This component will fund six sub-components as follows:

Sub-component 1.1: Set up and operation of the National REDD+ Secretariat (US\$470,000)

31. This sub-component will fund the day-to-day operations of the National REDD+ Management Unit (REDD+ Unit) and establish the human and technical capacity to support REDD+ readiness preparation activities. The REDD+ Unit is housed in the FNC and will be responsible for providing secretariat and logistic support for readiness preparation activities. The Grant will finance:

- a) The recruitment of a Project Coordinator, a Senior REDD+ technical specialist, and an administrative assistant.
- b) Grant management functions, including recruiting a Procurement Specialist and a Financial Management Specialist, in addition to costs associated with yearly audits of the grant.
- c) The operational expenditures of the REDD+ Unit to include procurement of goods, including vehicles and office supplies (furniture, computers and software).

- d) The utilization of the Extension and Mass Media unit within FNC to coordinate the extensive consultations required for the development of the REDD+ strategy and other REDD+ readiness activities. Their role will be to: (i) ensure effective delivery of the consultation and participation plan; (ii) develop and implement a communication strategy and undertake outreach, which is culturally appropriate and tailored to fit the target audience; (iii) ensure the results of the consultations are properly documented and effectively disseminated to the relevant stakeholders using the right channel/medium of communication; and (iv) ensure the procedures for consultation and participation during REDD+ strategy development are followed.

Sub-component 1.2: Set up and operation of the National REDD+ Steering Committee, Technical Advisory Committee and REDD+ Technical Working Groups (\$US130,000)

32. This sub-component will fund the establishment of National REDD+ Steering Committee (NRSC), Technical Advisory Committee (TAC), and ad hoc REDD+ Technical Working Groups (RTWGs) as described in the R-PP. These are the structures responsible for leading the execution and strategic planning of the REDD+ process and for providing technical inputs and guidance. The grant will finance the development of terms of reference, the organization and operational costs associated with the meetings and workshops of the NRSC, TAC and RTWGs.

Sub-component 1.3: Strengthen sub-national REDD+ institutional structures (\$US300,000)

33. This sub-component will support decentralized implementation arrangements at the state and locality levels, including operational support for regional technical specialists (for the five geographical agro-ecological sectors – Central, Eastern, Northern, Darfur and Kordofan) and State FNC REDD+ Focal Points responsible for technical advice, coordination and implementation with the respective states on REDD+ matters. Furthermore, this sub-component will support the strengthening of existing multi-sectoral land use platforms at the state level to facilitate cross-sectoral coordination. The Ministry of Agriculture at State levels are cross-sectoral and would house the platform. As appropriate, additional sectors engaged in land use would be added to ensure representation during the implementation of readiness activities. The support will target high-forested area, which include the central and eastern states, as well as the Blue Nile, Kordofan and Darfur regions as feasible.

Sub-component 1.4: Capacity building for REDD+ institutional arrangements (\$US100,000)

34. This component will enhance capacity and knowledge on REDD+ by funding workshops, training activities and technical assistance for the REDD Unit, FNC, TAC, and local level REDD+ Focal Points and technical specialists to build sufficient technical, policy, communication capacity. It will also fund selected representatives from FNC, TAC, and local level REDD+ Focal Points and technical specialists to attend international and regional REDD+ training (workshops, seminars, knowledge and learning events) to facilitate cross fertilization with other REDD countries and experts.

Sub-component 1.5: Feedback and Grievance Redress Mechanism for REDD+ (US\$200,000)

35. This sub-component will fund the assessment, strengthening and/or establishment, as appropriate, of a feedback and grievance redress mechanism/s (FGRM) to handle feedback and address complaints during the readiness phase and beyond to implementation of future REDD+ emission reductions programs. This sub-component will include a review of the existing FRGM structures at the federal, state and locality levels, identify what the institutional capacity needs are in order to enhance the efficient and effective utilization of these structures for REDD+ program implementation, as well as the actual operationalization of these structures during readiness and beyond.

Subcomponent 1.6: Program monitoring and evaluation (US\$50,000)

36. This sub-component will support monitoring activities such as implementation of the monitoring and evaluation framework for REDD+, independent assessment of readiness at mid-term, final program review, and preparation of annual progress reports.

Component 2: Support for national REDD+ Strategy (including Strategic Environmental and Social Assessment) (\$US850,000)

37. During the preparation of the R-PP historic trends in forest degradation and deforestation were generally described and, the underlying causes and challenges, and approaches and strategies in addressing the challenges were outlined. Given the cross-sectoral nature of the drivers of deforestation and potential implications of REDD+ Strategy options for key stakeholder groups, this component will finance further analytical work in order to identify the most appropriate REDD+ strategy options, and maintain the strong engagement of stakeholders throughout the process. The component has three interrelated activities: i) further analysis of the drivers of deforestation and degradation, ii) in-depth assessment of REDD+ Strategy Options, and iii) Strategic Environmental and Social Assessment (SESA) and the development of a national Environmental Social Management Framework (ESMF).

Sub-component 2.1: In-depth analysis of drivers of deforestation and forest degradation, including studies on policies, wood-based energy, land tenure and forest governance (\$US300,000)

38. This sub- component will fund:

- a) Analytical studies to deepen the analysis of the drivers of deforestation and degradation, including review of legal, policy and political economy considerations discussed in the R-PP, as well as review of agriculture, forestry and other land uses;
- b) Assessment of forest governance and land tenure, including land use and tenure arrangements. This study will carry out forest governance and land tenure analysis, including traditional customary land ownership and usage. It will provide an overview of the factors influencing decision-making regarding forest and land use. It will also establish a baseline against which forest governance can be assessed and monitored during REDD+ implementation.
- c) On the basis of the outcomes of the studies undertaken in sub-component 2.1 and 2.2, the Grant will support the review of forestry, rangeland, livestock and water policies (elaborated further in the R-PP), as required. This will include meetings and workshops to discuss potential policy reform, legislative amendments as well as national and state-level land use planning and zoning, as required.

Sub-component 2.2: In-depth analysis of strategic options to address deforestation and forest degradation (\$US200,000)

39. A number of potential strategy options to address the direct causes of deforestation and forest degradations are identified in Sudan's R-PP. This sub-component will fund:

- a) Analytical work on these options to ensure that they reflect new knowledge on the drivers of deforestation and forest degradation study to be conducted in sub-component 2.1.
- b) The strategy options identified during readiness will be screened and prioritized based on the economic, environmental and social costs and benefits. Important co-benefits in Sudan include biodiversity conservation, energy efficiency, reforestation and environmental services protection, as well as water, food security and improvement in livelihoods. This study will analyze the costs

and benefits of different REDD+ Strategy options. It will also include an ecosystem valuation of forests to get a better understanding of their economic importance.

Sub-component 2.3: Strategic Environmental and Social Assessment (SESA) and development of Environmental and Social Management Framework (ESMF) (US\$250,000)

40. This component will support the integration of social and environmental concerns into the REDD+ strategy development process and ensure that negative impacts are avoided or minimized. The SESA will contribute to strategy development, assessing the extent to which the REDD+ strategy options address the environmental and social issues associated with Sudan's customary and present patterns of land use and forest management. Any identified gaps will be addressed throughout this process. In addition, the SESA will develop an ESMF that outlines the procedures for managing potential environmental, social and gender differential impacts resulting from REDD+ implementation including guidance for the preparation of future environmental and social safeguard instruments. The grant will support the following activities:

- a) Recruitment of consultant(s) to conduct the SESA.
- b) Support for Safeguards Working Group.
- c) A national validation workshop on the SESA TORs and work plan.
- d) Analytical work on the social and environmental implications of different strategy options.
- e) Analytical work on the institutional arrangements for conducting the SESA.
- f) Gender analysis as part of SESA process.
- g) Institutional, legal and policy reviews.
- h) Capacity building for SESA implementation.
- i) Public dissemination of the SESA and consultations on the ESMF (integrated with REDD+ consultations in Component 2).
- j) Preparation and validation of the ESMF.

Sub-component 2.4: Study on options for benefit-sharing related to REDD+ (\$US50,000)

41. This component will fund an options analysis and present recommendations for the development of efficient, effective and equitable arrangements for sharing benefits related to the implementation of REDD+. The study will examine various benefit sharing options, including existing arrangements (including federal, state, community and traditional systems from forest and woodland areas and or other resources) and propose potential options.

Component 3: Support for stakeholder engagement (\$US400,000)

42. This component provides a framework for engagement of relevant stakeholders during readiness preparation as well as enhancing capacities at national, state and locality levels. Specifically this component will fund consultations on key issues addressed under the FCPF, including (a) the drivers of deforestation and degradation; (b) the identification of national REDD+ strategy options; (c) land and forest law, policy and governance; (d) benefit sharing; (e) SESA; and (f) MRV. The consultations will be focused on the eastern and central regions, and lessons learned will be used for the other states. Potential activities for consultation and their cost estimates to build capacity were discussed with stakeholders in detail.

Sub-component 3.1: Consultation and participation for activities to be implemented under the FCPF grant (\$US300,000)

43. The sub-component activities will fund:

- a) The development of a detailed and robust consultation and participation plan to be implemented during readiness. This plan would build on Sudan's existing Communications Policy and formal Public Participation Policy, FCPF guidelines for effective stakeholder engagement and UNFCCC decisions on full and effective participation. Furthermore as a signatory to ILO169 as well as the United Nation Declaration of the Rights of Indigenous Peoples (UNDRIP), Sudan has adopted free prior and informed consent (FPIC) as the guiding principle for all consultations and participatory process.
- b) The deepening of the stakeholder mapping analysis that began during the R-PP formulation phase. It will identify the relevant stakeholders engaged in land use as those most likely to gain or lose from REDD+. Furthermore, it will fund targeted stakeholder outreach at national, state and locality levels on activities implemented by the FCPF grant.
- c) The Grant will also fund development of suitable communication materials and tools. The Federal level Extension and Mass Media unit within FNC will play a lead role in assisting with the development of the C&P Plan, as well as coordinating and managing information dissemination and collecting stakeholder feedback in a centralized manner. Capacity to perform this function at decentralized levels will be assessed, and strengthened as required.

Sub-component 3.2: Setting up and strengthening of civil society platforms (\$US100,000)

44. This sub-component will support the strengthening of existing or establishment of new, where appropriate, community based-organizations (CBO)/ non-governmental organizations (NGO)/association platforms at the national level and in each of the states in order to facilitate the consultation and stakeholder engagement process for REDD+ readiness. These bodies will include representatives of relevant stakeholder groups, including local and forest dependent communities, farmers, pastoralists, Gum Arabic producers, firewood collectors and charcoal producers, non-timber forest products (i.e. honey producers, seed collectors), women, research centers and universities, as appropriate to the national or state context.

Component 4: Support for Monitoring, Reporting and Verification (\$US1,300,000)

45. Sudan has yet to establish a regular or permanent national forest inventory or forest monitoring system. The R-PP describes a detailed action plan to develop a fully operational Monitoring Reporting and Verification (MRV) system - the Sudan Forest Monitoring System⁷. This component will support an initial set of activities, helping Sudan to build the foundation needed for future: i) operationalization of the Sudan Forest Monitoring System, ii) calculation of a national reference emission level (REL)/reference level (RL), and iii) generation of robust forest data feeding into the National Greenhouse Gas Inventory and National Communications/Biennial Updates to the United Nations Framework Convention on Climate Change (UNFCCC) (lead by HCENR MoEFPD). As the budget allocated for this component is not sufficient to establish a full-fledged MRV system, the Government of Sudan will seek complementary budget support from other donors⁸.

⁷ Future operationalization of the the Sudan Forest Monitoring System- as described in Sudan's R-PP - will require additional activities, including: system design, additional data collection/measurement of greenhouse gases and procurement of higher resolution satellite images to establish a reference level, and developing methods, and operating procedures to MRV emissions against the reference level. The R-PP estimates the cost of establishing the system at \$3million.

⁸ The GoS has requested support from the United Nations REDD programme (UN-REDD) for the design and implementation of a National Programme (\$4,000,000) as well as targeted assistance through its Global and

46. This component will support data collection and measurement activities underpinning the Sudan Forest Monitoring System. In line with relevant UNFCCC decisions and IPCC guidelines, Sudan will use a combination of remote sensing and ground based forest carbon inventory approaches for estimating forest-related GHG emissions by sources and removals by sinks, forest carbon stocks and forest area changes. The Grant will support initial activities of the SFMS action plan, as follows:

Sub-component 4.1: Development of a National Forest Inventory (NFI) (\$US 900,000)

47. This sub-component will finance activities that will contribute to the development of a National Forest Inventory (NFI):

- a) Data collection and measurement activities, including establishing a number of permanent sampling plots for periodic and systematic measurements of key parameters;
- b) Development of definitions, methods and protocols tailored to the objective of estimating all key categories of carbon pools (Tier 2 level) for all individual forest types and activities; and
- c) Procurement of equipment and tools for data collection.

Sub-component 4.2: Support for remote sensing (\$US 250,000)

48. This sub-component will finance remote sensing activities to:

- a) Achieve national coverage for the period 2000-2014 using medium resolution satellite imagery;
- b) Develop a Land Monitoring System (LMS) to create a consistent time series of forest cover (implementing Approach 3); and
- c) Procurement of equipment and tools for remote sensing, including satellite images, hardware and software.

Sub-component 4.3: Capacity building for forest monitoring activities (\$US 150,000)

49. This sub-component will finance remote sensing activities, including:

- a) Institutional and capacity building needs assessments, including FNC and relevant government agencies at federal and state level, other actors such as remote sensing authorities at research centers and universities, and NGOs and CBOs at state level;
- b) Strengthening of technical capacity to collect, analyze and produce forest data;
- c) Development of and provision of training programs on remote sensing and interpretation, GPS/GIS and database management; and
- d) Activities to inform the design of the SFMS, i.e. cost benefit analysis, assessment of the role of community mapping and monitoring and its feasibility in Sudan.

3. Key Risks and Issues

50. Sudan as a post conflict country is faced with multiple risk factors. Risks that will have direct and indirect implication on the successful implementation of the REDD+ readiness preparation activities described below:

51. **Political stability:** The situation in the country is considered fragile given the challenges that emerged after the secession of South Sudan, including sustaining a much-needed broad economic recovery. *In order to mitigate risks from political instability, efforts are underway to ease the tension*

Regional Programmes. The Government of Sudan is also in discussion with the Food and Agriculture Organization (FAO) regarding support for a National Forest Resource Assessment (FRA), monitoring and capacity building activities, estimated at \$3.2million.

among opposition groups, especially in the Blue Nile and South Kordofan regions, and encourage more political participation in the preparation for the upcoming elections.

52. Economic situation remains fragile with weak growth prospects despite some signs of improvements. The daunting economic situation, together with limited revenue mobilization, heavy debt burden, international sanctions, and volatile domestic and regional political environments are constraining Sudan's growth prospects and poverty reduction efforts. Sudan's growth outlook for 2014 remains cloudy: Real GDP is projected to grow at only 2.6 percent in 2014, compared to 3.2 percent in 2013 (Figure 2). Actual real GDP growth during the post-secession slowed to -2.6 percent, well down from double-digit before the secession; reflecting the backdrop of both oil and non-oil sectors on account of a slowdown in industrial and service activities and the shortage of foreign exchange. *As mitigation there is a need for economic diversification through a revitalization of non-oil sectors such as agriculture and livestock. Economic and political reforms are expected to continue especially as the Government is keen to normalize relations with the U.S and recently signed the SMP with the IMF.*

53. Weak and uneven capacity. Technical and implementation capacity is uneven across sectors and levels of government and presents a problem in the formulation of critical policy and reform efforts. Low capacity is a major problem in areas emerging from long-term conflict. The Bank's experience implementing projects and supporting policy reforms under the MDTF-NS has produced lessons on how to build and retain capacity and how to design supplemental capacity programs to support implementation, especially at subnational levels. These will be integrated in program design in the ISN period. In particular, the Bank anticipates relying on the operational flexibility granted by Bank operational policies (e.g. OP10.00) to accelerate implementation support in this context. *As mitigation measures, sufficient resources will be provided during readiness to build and enhance the capacity of the relevant institutions both at national and state level as outlined in the project component description. It is expected that putting in place the right institutional arrangement/management for REDD+ as well as building their capacity for REDD+ readiness would contribute to building strong foundations for future REDD+ program implementation.*

54. Weak governance and corruption risk. As outlined earlier, weak governance and corruption are major barriers to investment and to equitable growth that could provide opportunities for citizens. This is likely to be exacerbated in weak capacity environments (e.g., Darfur) and in the midst of political reforms such as those being demanded recently. *As a mitigation measure, a forest governance analysis will be conducted during the readiness phase. This analysis will contribute to putting in place accountable and transparent systems of forest governance and monitoring that is participatory and inclusive.*

55. Social issues. There are critical social risks associated with REDD+ including social conflict between farmers and pastoralists over land use, issue of migration, refuges and internal displacement, issues of land tenure as it related to customary ownership and use of land. All these needs to be carefully analyzed during readiness to ensure that REDD+ does not do any harm. *As a mitigation measure: SESA will be prepared as part of readiness in parallel with the consultations on REDD+ strategy options with due consideration on the above issues. It is expected that an ESMF will be formulated as an output of the SESA process in-order to address and mitigate any potential negative social and environmental impacts associated with the REDD+ strategy options.*

56. Climate change and disaster risks. Given the country's vulnerability to climate change and the potential impacts of disasters (droughts and floods in particular) on the country's economy, the Bank will continue to prioritize regional action such as the Nile Basin Initiative and regional approaches to desertification control as well as promoting climate-smart agriculture and food security initiatives in partnership with other agencies. *As the Bank's financial resources may continue to be a major constraint, working in partnership with regional and global bodies will be a key element in managing this risk. The*

REDD+ preparation will help Sudan to have strong institutions and public active participation to implement activities to address climate change and disaster risks.

57. **Security and Sustainability of REDD+ initiatives:** Implementation of REDD+ readiness can be affected by overall security and availability of additional funds.

- i. The impact of ongoing conflict in high-cover forest areas (including the Blue Nile, South Kordofan and Dafur regions) for REDD+ preparations. While readiness designs a national REDD program (i.e., nation-wide studies, institutional arrangements), governance/security concerns mean that consultations may start in the more secure areas such as the eastern and central states, where the enabling environment (governance) is favorable to be scaled up to other states over time, as feasible.
- ii. Sustainability due to lack of donor funding. As the FCPF grant will not fund all REDD+ readiness activities, the achievement towards REDD+ readiness in Sudan will depend on additional support from other donors. Sudan is expected to leverage resources from other sources to complete its REDD+ readiness⁹. For this reason the grant will finance discrete components of the R-PP that have been prioritized in consultation with the Government of Sudan.
- iii. Stakeholder engagement and expectation management. REDD+ readiness preparations require extensive stakeholder engagement. As such there is the possibility that stakeholder expectations may be raised, particularly amongst rural, poor communities where revenue streams coming from carbon finance may be seen by Government counterparts as a major selling point for obtaining community support. A number of options will be employed in order to ensure careful expectation management that these risks are managed. The project will emphasize information sharing and multi-stakeholder consultation process during all stages of the REDD+ Strategy and during SESA formulation, following a Consultation and Participation plan to be designed. Particular attention will be paid to benefit, conflict resolution mechanisms and land and tree tenure.
- iv. The sustainability of institutions established under this grant, or continuation of activities beyond the term of the grant, depends on continued government interest in sustainable forest and land management, which will in part depend on the success of REDD Secretariat to implement the \$3.8million grant.

B. Implementing Agency Assessment

58. **Strategic governance:** The Government will set-up a multi-sectoral National REDD+ Steering Committee (NRSC) to facilitate coordination between sectors that are key agents in addressing the drivers of deforestation as well as sustainable natural resource management at the policy level. This will include Ministries in charge of Environment and Physical Development, Finance, Agriculture, Water, Energy, Petroleum, Minerals, and Social Development among other key sectors. The Ministry of Environment, Forestry, and Physical Development (MoEFPD) will chair the Steering Committee as the Ministry responsible for leading environmental and forestry policies. The NRSC will have an important role in facilitating any policy developments. The Government will assess other Steering Committees that are in place and evaluate whether there is potential to combine the duties of the NRSC with other standing Steering Committees to avoid duplication and reduce transaction costs.

⁹ The GoS has requested support from the United Nations REDD programme (UN-REDD) for the design and implementation of a National Programme (\$4,000,000) as well as targeted assistance through its Global and Regional Programmes. The Government of Sudan is also in discussion with the Food and Agriculture Organization (FAO) regarding support for a National Forest Resource Assessment (FRA), monitoring and capacity building activities.

59. A Technical Advisory Committee (TAC) will be established to ensure inter-sectoral cooperation at the programmatic level and to oversee the operational implementation of the REDD+ Management Unit. The TAC will be comprised of technical experts and government representatives in key sectors such as environment, forestry, agriculture, livestock, water, finance, rural development among others. The TAC will include stakeholders from academia, civil society, the private sector, and women's groups among others. The TAC will provide strategic guidance to the REDD+ Unit and will validate annual work plans, operational budgets, operational reports as well as technical reports as submitted to them by the REDD+ Unit. The TAC will provide regular reports to the NRSC on the progress of the REDD+ readiness program. The REDD+ Technical Working Groups (RTWG) will be responsible for revision and validation of studies, terms of reference and providing other technical supports to the REDD+ management Unit.

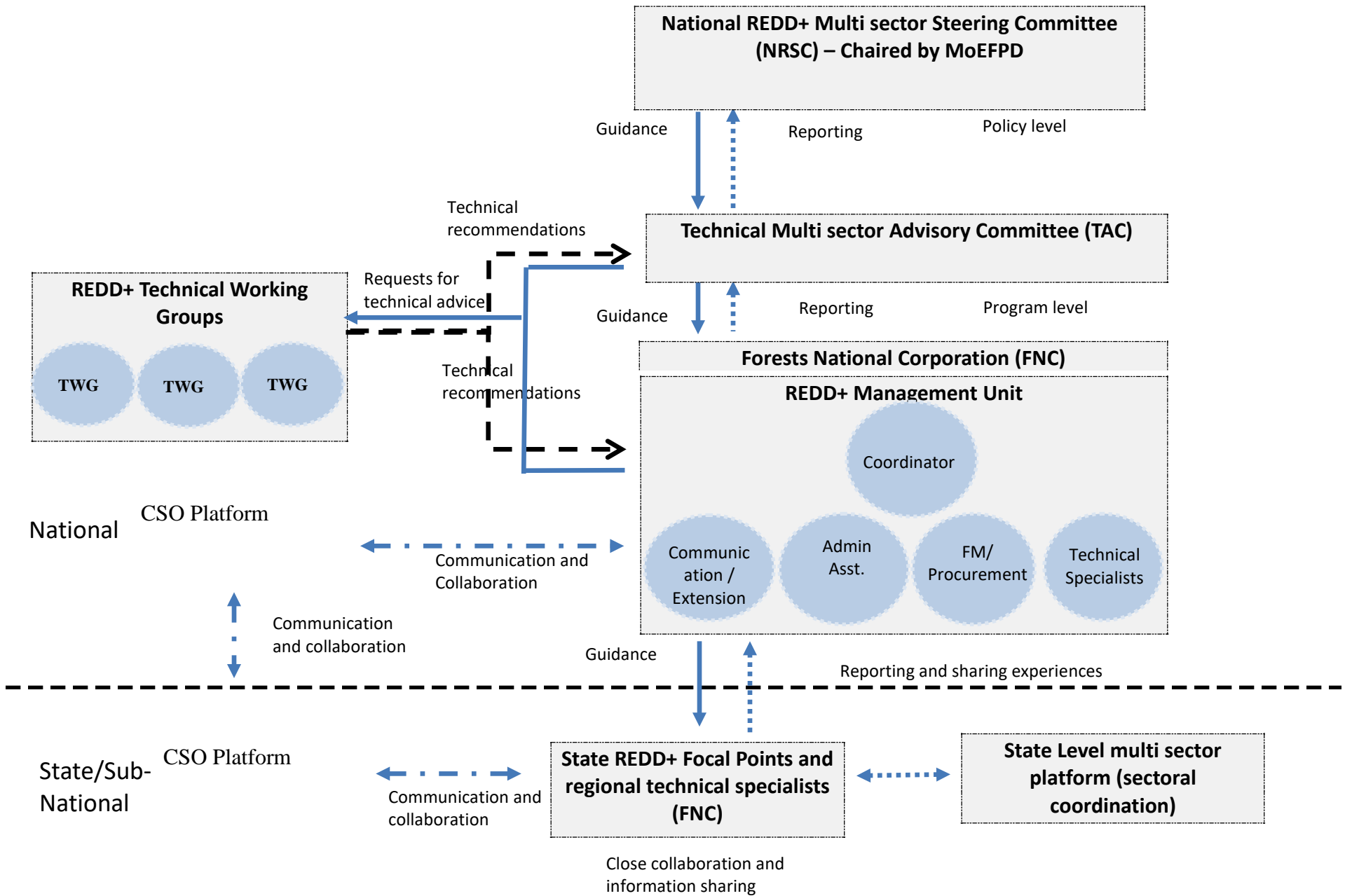
60. **Operational implementation:** The FCPF grant implementation will be coordinated by a REDD+ Management Unit that will be housed within the Forests National Corporation (FNC). The REDD+ Unit will include Financial Management and Procurement specialists, a REDD+ expert, team assistants, communication and outreach experts, and *ad-hoc* technical specialists as needed to ensure effective implementation. The REDD+ Unit will work collaboratively with the FNC on areas where there is existing capacity and expertise (such as communication and extension, carbon sequestration, biomass energy, GIS and remote sensing, among others) to avoid duplication and build on existing capacities. The REDD+ Unit will be responsible for operationalizing the different REDD+ structures, including the CSO platform and will provide regular operational reports as well as technical reports to the TAC for review. The REDD+ Management Unit will be responsible for working with the State Level REDD+ actors.

61. REDD+ Technical Working Groups (RTWG) will be established to work on key technical areas of REDD+ based on business demands. RTWG will bring together key experts in key areas of the REDD+ readiness program to provide technical advice and recommendations on terms of reference, technical studies or other matters and areas. The work of RTWG will inform the TAC or REDD+ Unit as requested and the REDD+ Unit will be responsible for mobilizing the different RTWGs. The different working groups are intended to be temporary structures to facilitate delivery of the REDD+ readiness grant.

62. **Sub-national level:** The FNC has a well-established link between the national and state levels that will be a critical aspect of REDD+ implementation. REDD+ focal points in the state offices of the FNC will be the key operational actors at the state level. The close collaboration between sectors and stakeholders at the state level is equally important to multi-sectoral collaboration at the national level. The state level REDD+ focal points will work closely with different sectoral representatives to establish appropriate multi-sectoral platforms that will most effectively target the respective drivers of deforestation and forest degradation in each state. The REDD+ focal point will also work closely with CSO platforms at the state level. For example in some states pressures from refugees on forest and woodland resources is a significant problem while in other states conflicts between local gum Arabic producers and poor local populations or pastoralists is a major problem. The state level actors will come together to form the most appropriate bodies for carrying out representative and multi-sectoral REDD+ readiness activities.

63. **CSO Platform:** Sudan has placed a particular emphasis on the need to build capacity of CSOs at national and sub-national levels. Resource allocations have been made as part of this readiness grant to enable CSOs organize self-identified activities to build capacity and share information that will allow them to more effectively participate in a national REDD+ program.

Figure 6. Institutional Arrangement for implementing REDD+



C. Project Stakeholder Assessment

64. As early as 2009 prior to Sudan's participation in the FCPF, the country, through its partnership with UNEP and UNDP, developed a National REDD+ Program document with the aim of: i) conserving the country's renewable natural resources, and ii) facilitating sustainable land management that would provide benefits to the millions of people that depend on forests for their livelihoods and wellbeing. During the preparation of the program document from 2009-11 extensive consultations were conducted at national, state, locality and community levels across the five agro- ecological zones (5 geographical sectors) in the country. Prior to the consultations, a stakeholder mapping exercise was conducted by FNC together with UNEP to identify all the relevant stakeholders engaged in land use at national and state levels, as well as those stakeholders most likely to gain or lose from REDD+ future implementation. The outcome of the mapping exercise led to the design and implementation of consultation and participation process targeting sectors engaged in land use at national and state level, private sector organizations, CSO/NGO and CBOs. Issues discussed relate to identification of drivers of deforestation and degradation and their underlying causes, social and environmental issues related to forest resources use, and the issue of land conflict and management. The outcomes of these many consultations and dialogues contributed to the development of the national REDD+ program.

65. In 2012, Sudan was accepted as a participant to the FCPF, by then the country had already established effective mechanisms for fostering active engagement and consultations of with key stakeholders. Without receiving resources from the FCPF, the country mobilized other donor support to help implement the three stages of consultation process outlined in the R-PP (see Components. 1b, and 1c). Stage one of the process was supported by UNDP. They worked in close collaboration with FNC to deliver a series of national and subnational level workshops targeting line ministries(Agriculture & Irrigation, Livestock, Fisheries Minerals, Oil and Water Resources, Lands, energy); CSOs and NGOs (Sudan Environmental Conservation Society, Sudan Social Forestry Society, Practical Actions, National Gender Network, Farmers & Pastoralist Unions, Gum Arabic Producer Association, CBOs, Women's Groups at local levels, Charcoal Production Union; private sector organizations (Kenana Sugar, DAL Group), Development Partners such as UNDP, UNEP, FAO, World Bank, IFAD; and British Embassy.

66. Stage two of the consultation process was supported by DFID and UNEP Sudan, where international and national consultants were hired to support the REDD+ formulation process and drafting of R-PP. The team of consultants engaged with several national, states, and locality levels consultations which resulted in the development of Sudan's first draft REDD+ Preparedness Strategy. Finally, after the last and final stage of the consultation process supported by UNDP and UNEP a draft R-PP was prepared. Overall a total number of 30 workshops, focus group discussions, seminars, and questionnaires-benefiting over 500 participants- were held throughout the five geographical sectors of Sudan. \ briefings were circulated by the FNC PMU via media, internet and direct contact. Links were established to have a continuous feedback on various components of the R-PP from local level through FNC offices, key persons and local NGOs and CBOs. Furthermore, generic feedback received was analyzed and considered centrally.

67. To further improve and enrich information gathered through the consultations especially at subnational levels, target groups at State, locality and community levels were also asked to provide views on issues relating to land use management and forest resources usage that they would wish to highlight as being potentially challenging. Feedback from different stakeholders was received directly during workshops, meetings, seminars and group discussions. Outcome reports were sent to all relevant stakeholders for comments and further revision of reports was made. A total of more than 500 responses were received from target groups, local people, environmental organizations, NGOs, CBOs of related sectors, etc. Some of the most salient views expressed during the consultation process included: more

awareness training on REDD+ especially from local communities; how the issue of land tenure and conflict over multiple uses of the land would be resolved; what kinds of benefits would REDD+ bring, when and how these would be shared; how gender issues will be addressed, especially the role of women in agricultural productivity; and how to ensure coordination across different sectors, both at the national and state levels. In addition to these pertinent issues, stakeholders were also able to discuss and analyze the drivers of deforestation and degradation from their own locality point of views and contributed to the preliminary identification of strategy options and conflict management. See Annex 1b,c of the R-PP for more detailed information.

IV. Overall Risk Ratings

68. The overall risk rating for the project is Substantial. It is Substantial because the achievement of the REDD+ PDO dependent of a challenging process of institutional changes and improved governance. Summary of risk rating is given in Table 3.

A. Risk Ratings Summary Table 3.

Risk categories	Rating (H, S, M or L)
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	High
7. Environmental and Social	High
8. Stakeholders	Moderate
Overall	Substantial

V. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

Name	Title	Unit
Asferachew Abate Abebe	Sr. Environmental Specialist	GENDR
Haddy Jatou Sey	Sr. Social development Specialist	GCCGT
Kate Lillian Cecys	E T Consultant	GCCGT
Tamene Tiruneh Matebe	Environmental Specialist	GSPDR
Erik Winter Reed	ET Consultant	GENDR
Sachiko Morita	Senior Council	LEGEN
Mohamed Osman Hamid	Sr Operation Officer	AFCE4
Limya Abdelaziz	Monitoring and Evaluation Specialist	AFMSD
Adenike Sherifat Oyeyiola	Sr Financial Management Specialist	GGDOR
Nyabicha Omurwa Onang'o	Financial Management Specialist	GGDOR
Anjani Kumar	Sr Procurement Specialist	GGODR
Nizar Abu Elzoul	Procurement Specialist	GGODR
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VI. Assessment Summary

A. Technical

69. The activities to be financed by the FCPF have been selected after technical discussions with the FNC, various government ministries, civil society, and development partners while taking into account other ongoing initiatives supported by the donor community. All the technical decisions for the FCPF are informed by the discussions and decisions made during R-PP Preparation.

70. The R-PP that was reviewed by the FCPF is a common vision of the role that REDD+ will play in national development. The R-PP articulates a clear plan, budget and schedule that will lead to real and verifiable GHG emissions reductions through avoided deforestation and forest degradation and also contribute to sustainable natural resource management and development in Sudan. The R-PP addresses specific technical and social issues that are critical elements of a REDD+ program including: organizational set-up, consultations, strategic options for REDD+, implementation framework, environmental and social impacts, the development of a baseline scenario, methodology for quantifying avoided GHG emissions, monitoring and evaluation including co-benefits among others.

71. The different components of the R-PP are related specifically to the management of REDD+ but align strategically with the country's climate change and sustainable development strategies. Within the activities planned in the R-PP, the FCPF grant will finance important analytical and technical work on the drivers of deforestation and forest degradation, REDD+ strategy options, support to the national readiness management arrangements, SESA, contributing to the setting up of effective grievance feedback and redress mechanisms, forest monitoring system and reference level. The development of a national REDD+ strategy under the FCPF is a key step in Sudan's commitment to reducing greenhouse gas (GHG) emissions that contribute to climate change through avoided deforestation and forest degradation. This strategy will provide a framework of actions and policies to set the country on a climate resilient, lower carbon emitting development path.

B. Financial Management

72. Recipients and agencies implementing World Bank projects are required to maintain adequate financial management arrangements to provide the Bank with accurate and timely information regarding projects resources and expenditures. The arrangements entail key Financial Management (FM) aspects of budgeting, funds flow, disbursements and banking, accounting, financial reporting, internal controls, audit and FM staffing. The Bank's financial management team conducted the financial management assessment of the project in accordance with the Financial Management Manual for World Bank – Financed Investment Operations issued by the Bank's Financial Management Sector Board on March 1, 2010. The objectives of the assessment were i) evaluate the financial management capacity of the implementing agencies ii) identification of key risks and challenges that may impend on the implementation of the project iii) development and agreement of risk mitigation measures iv) inform the design of the project FM arrangements.

Budgeting

73. Sudan's budget system reflects the fiscally decentralized structure. The budget is processed at the National and State levels. Budget procedures are documented in the Budget Policy guideline. The National budgeting process usually starts by issuing the budget preparation note to the Budgetary Policy guidelines. The Budgetary Institutions prepare their budgets in line with the budget ceilings and submit these to MoFNE. The budgets are reviewed initially by MoFNE and then by the Ministry of Ministers. The final recommended draft National budget is sent to Parliament. FNC prepares its budget and presents

to its parent ministry of Environment and Natural Resources and this is consolidated at the Ministry of Finance and National Economy (MoFNE).

Accounting and Reporting

74. The Government of Sudan follows a double entry bookkeeping system and modified cash basis of accounting, as documented in the government's Accounting Manual, and these procedures have also been implemented in many States. The main elements of the accounting reform are the adoption of (a) a comprehensive Chart of Accounts consistent with the budget classification; (b) a system of ledgers accommodating all types of accounts (including transfers, assets, liabilities, and fund balance in addition to revenues and expenditures); (c) double entry bookkeeping (thus, a self-balancing set of accounts); (d) a system of control for budgetary commitments (recording commitments as well as actual payments); (e) modified cash basis transaction accounting; and (f) revised monthly report formats to accommodate double-entry bookkeeping and commitment control and permit better cash control. The government's Accounting Manual provides detailed information on the major accounting procedures.

75. The project will use the government's accounting system. The Chart of Accounts for the project should thus be developed to adequately and efficiently account for transactions and to report on project activities. Monthly, quarterly, and annual reports will be produced directly from the financial management system and thus a well-developed Chart of Accounts is crucial.

76. FNC will retain all accounting documents on a permanent basis in a defined system that allows authorized users easy access. This procedure should be given due attention to avoid the misplacement of documents which may lead to the qualification of FNC's Audit Reports.

77. Formats of IFRs will be developed by FNC with support from the World Bank Financial Management Specialist. The IFR will include:

- a) A statement of sources and uses of funds and opening and closing balances for the quarter and cumulative.
- b) A statement of uses of fund that shows actual expenditures, appropriately classified by main project activities (categories, components, and sub-components). Actual versus budget comparisons for the quarter and cumulative will also be included.
- c) Notes and explanations.
- d) A statement on movements (inflows and outflows) of the project Designated Account, including opening and closing balances.
- e) Other supporting schedules and documents.

Internal Controls

78. Internal control comprises the whole system of control, financial or otherwise, established by management to: (a) carry out project activities in an orderly and efficient manner; (b) ensure adherence to policies and procedures; (c) ensure maintenance of complete and accurate accounting records; and (d) safeguard the project's assets. Regular government systems and procedures will be followed, including those relating to authorization, recording, and custody controls.

79. FNC uses those control procedures prescribed by the government. These procedures are adequate to ensure authorization, recording and custody controls. The project's internal controls, including processes for recording and safeguarding of assets, segregation of duties, procedures for periodic accountability, fund flow arrangement, auditing, are properly captured in the government financial

management manual. Peculiar needs for the project such as reporting and auditing will be guided by the agreed formats and financial agreements to be signed with the Government of Sudan.

Internal audit arrangements

80. The Internal Audit Department within the MoFNE is adequately resourced to conduct frequent project reviews and report on the project progress and internal controls. The department will include this project in its annual work plans and review the documents as necessary. Feedback and recommendation on the project to the finance unit is expected to enhance the effectiveness of the management of funds.

External auditing

81. The audit will be carried out by the National Audit Chamber or a qualified auditor nominated by NAC and acceptable to IDA. Annual audited financial statements and the annual Audit Report (including the Management Letter) for the project will be submitted to IDA within six months from the end of the fiscal year. The annual financial statements will be prepared in accordance with the International Financing Reporting Standards and include the sources and uses of funds for the project (containing the same information as similar statement in the IFRs), with supporting schedules and other information. The formats of the annual financial statements will be included in the FM Manual. The draft annual financial statements will be prepared within six months of the end of the fiscal year and provided to the auditors to enable them to carry out and complete their audit on time.

82. The auditor will express an opinion on the project financial statements. The audit will be carried out in accordance with the International Standards of Auditing issued by the International Federation of Accountants. The scope of the audit would also cover the reliability of Statements of Expenditures (SOEs) used as the basis for disbursements and the use of the Designated Account. The auditor will also provide a Management Letter which will, among other things, outline deficiencies or weakness in systems and controls provide recommendations for their improvement, and report on compliance with key financial covenants. The terms of reference for the audit will be agreed during appraisal. FNC will take the necessary follow-up actions on the Audit Reports. FNC will submit the government's response to the findings in the annual Audit Report to IDA and an action plan for any follow-up actions.

C. Procurement

83. In 2010 the Sudan Country Integrated Fiduciary Assessment (CIFA) identified the main issues in public procurement at the federal and state levels as: (i) incomplete and outdated legal, policy and regulatory framework; (ii) weak procedures and practices, often applied in a discretionary and discriminating manner; (iii) inadequate human and financial resources; (iv) an underperforming private sector; and (v) inadequate legislation, practices and institutions to ensure integrity and transparency of the procurement process.

84. In 2010, Sudan enacted the Public Procurement, Contracting and Disposal law. Although Bank comment was sought on the Bill prior to its enactment, only some of the Bank comments on the draft Bill were incorporated. Thereafter, the Bank continued to assist the GoS to strengthen its public procurement system through the Multi-donors Trust Fund (MDTF) funded Public Sector Reform, Decentralization and Capacity Building Project (PSCAP) including: (i) equipping the General Directorate for Public Procurement, Contracting and Disposal, (ii) supporting the dissemination of the new Procurement law and Regulations, (iii) financing the preparation of a Public Procurement Manual, and Standard Bidding Documents (SBDs), and (iv) supporting the Training of Trainers (ToT) program.

85. Procurement for the project will be carried out in accordance with the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” both dated January 2011(Revised July 2014) as well as the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and Grants”, dated October 15, 2006 and revised in January 2011. Procurement through National Competitive Bidding (NCB) shall follow procedures acceptable to the Bank including the use of national SBDs prepared to the satisfaction of the Bank and issued in the Arabic language. Additionally, as Sudan is one of FCS countries, paragraph 12 of Bank Operational Policy (OP) 10.00 will be triggered to allow the application of the flexibility detailed in the Guidance to World Bank staff: Simplified Procurement Procedures in Situations of Urgent Need of Assistance or Capacity Constraints, April 2013.

86. The procurement capacity assessment of the implementing agency FNC has identified that although the agency has some experience of national procurement procedures, it is not adequate specifically to handle procurement following World Bank procedures. Thus, there would be need to hire experienced procurement specialist to execute the procurement under the project. Presently the FNC which is implementing Revitalization of Gum Arabic project has a hired procurement Specialist under the project. This project will seek support from this procurement specialist till the time regular procurement specialist is hired under the project. As Sudan is an FCS state, and noting that there is a lack of procurement capacity within the implementing agencies, the overall risk to procurement under the Project is rated **High**. Thus to mitigate the risk, a mitigation action plan has been identified and included in the Procurement Annex. One of the main mitigation measures is that the project will hire experienced procurement consultant to support the project.

D. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)

87. The FCPF readiness preparation grant must comply with World Bank safeguard policies regarding the management of environmental and social impacts. This grant will, in part, support the country’s activities to identify the potential risks associated with REDD+ and mitigation options. In order to do this, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ readiness by combining analytical and participatory approaches. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ readiness process, in particular the REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD Country’s progress reports on readiness preparation; and (iii) an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse impacts. The SESA guidelines have been integrated into the R-PP template.

1. Social (including Safeguards)

88. Sudan's ethnic and linguistic diversity remains one of the most complex in Africa with nearly 250 ethnic groups speaking more than 100 languages and dialects. With a population of 34 million these diverse ethnic groups mainly depend on the land for their livelihoods. Sudan’s land is under more pressure than ever before, an increasing human and livestock population where the livestock population is

four times higher than the human population has indeed intensified competition for resources and speeded up the process of land degradation. The population is growing by more than 2.5 percent per year, while livestock numbers have jumped 400 percent from 1961 to 2004. Furthermore, the effects of climate change have led to reduced rainfall, and poor livestock, farming, and agricultural techniques have increased desertification, reducing the areas suitable for farming and grazing.

89. Over the years, competition for diminished resources has intensified. Dwindling rangeland is a particular problem, exacerbating tensions between pastoralists and agriculturalists and leading to fights over land. Lack of clear demarcation and mapping of livestock routes, neglect of traditional land users, land tenure systems, coupled with lack of strong governance institutions for Sudan's renewable resources has contributed to significant conflict over access to natural resources and land across the country. The conflict has contributed to massive displacement and movement restrictions thus increasing pressure over diminishing natural resource and land use.

90. Under the readiness phase, the FCPF readiness preparation grant will, in part, support the country's activities to identify the potential impacts/risks associated with REDD+ and mitigation options. In order to do this, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ readiness by combining analytical and participatory approaches.

91. Sudan's R-PP, as well as discussions held with multiple stakeholders during the Assessment Note mission, has helped to identify critical environmental and social issues that would require detailed analysis during the readiness phase. These issues include but not limited to: (i) reviewing the inter-sectoral linkages within the land-use planning process and trade-offs and opportunity costs involved with different land uses; (ii) forest governance and management, (iii) forest land tenure and ownership looking at the issues of customary rights, users access rights and informal and formal grievance redress mechanisms; (iv) legal, policy and regulatory systems related to land tenure, conflict from land use and natural resources use (v) gender dimensions of forest use and management and role of women in decision-making about land use, resource management, and (vi) benefit sharing arrangements.

92. It is expected that the SESA process will pay particular attention to reviewing land tenure and customary land ownership and usage as it relates to conflict and its management and resolution, for this is a huge issue in Sudan. Traditional land use systems in Sudan have historically been based on traditional tribal leadership and customary laws that organize resource use among communities. This customary land tenure system is however often in conflict with the national land tenure policies of the government whereby the principles of land tenure, land use and land ownership juxtapose. Whereas, the access to land use is given by local chiefs, the issue of land ownership under the national law is tied to the 1970 land law, which necessitates land registration. Overall, the absence of land use plans and a lack of laws governing land tenure and land use have led to conflicts between land uses and land users. For example, the conflicting interests of traditional rainfed farmers, mechanized farmers, pastoralists, forest users and the State (as owner of all unregistered land), discouraged proper forms of land management and has caused negative social and environmental impacts. Examples of such conflicts can be cited in areas where previous rights of the subsistence farmers (traditional agriculture), forest users and pastoralists were not respected and usually encroached upon in favor of the mechanized farmers or state owned and private corporations. This complicated and parallel land tenure system in Sudan would be analyzed with the SESA process to help inform land tenure reform and benefit sharing mechanisms for future REDD+ program implementation.

93. Sudan has progressive gender laws and policies. At the national and state level the percentage of women in decision making is rather high compared to many African countries. However in rural areas where more than 5 percent of the population reside, the role of women in decision making and local

governance is limited due to socio-cultural and religious beliefs. As part of the effort to ensure that women and men both benefit from REDD+, the SESA process would conduct gender analysis in order to identify the gender differential impacts of the REDD+ strategy. In Sudan, rural women's and men's tasks and responsibilities vary with regards to food production and provision, and other NRM usage often resulting in different needs, priorities, and concerns. Although rural women's and men's roles and responsibilities vary across the various States and cultures, they often follow similar gender divisions of labor.

94. In most States, men use natural resources in agriculture, logging, and fishing for commercial purposes more than women. In crop production men tend to focus on market-oriented or cash crop production, whereas women often work with subsistence crops, collection use and sale of NTFP. In some cases men and women perform complementary roles—for example, men clear land, women plant and tend crops and men harvest and market crops. Overall, it is well documented that women contribute significantly to rural economic development and to agricultural productivity in Sudan, however due to socio-cultural and religious beliefs especially in rural areas, women's voice in decision making, participation on the use of land, NRM and benefit distribution is restricted. The gender analysis that would be conducted as part of the SESA process would include reviewing the national gender policy

95. The SESA process will also look at the co-benefits associated with the REDD+ strategies, which includes but are not limited to reduce loss of biodiversity, improved seasonal distribution of water and improved water quality through maintaining forest covers, utilization of NTFP (many of which are integral to traditional cultures and reducing risks of social erosion). Substantial indirect benefits will also be obtained through improved governance, especially relating to land tenure and improved livelihoods for rural communities, local climate services, medicinal plants and assets. These types of co-benefits are very important to the local economy and culture.

96. National Institutional Capacity for Safeguards: The national institutional capacity for implementing World Bank environmental and social safeguards is not strong. Sudan has environmental policies, laws and regulations. Furthermore there are existing legal and regulatory frameworks relating to forest and other sectors that provide good basis for the governance in relation to REDD+. However, effective coordination between relevant institutions across sectors and institutional capacity to implement decisions will need to be investigated and strengthened during the SESA process. A Safeguards Working Group will be put in place. It is expected that this Working Group will work closely with the FNC REDD+ Management Unit, the TAC and the SESA Consultants to mainstream social and environmental issues in all the analytic work, combined with consultations required for the various activities funded under the readiness. The SESA working group would also help the REDD+ Management Unit to mainstream gender issues into the REDD+ readiness process.

97. Capacity Building: Whenever possible, the SESA will build upon existing knowledge and institutions that currently carry out similar studies to inform strategic, sectoral planning or other relevant impact assessments. A capacity assessment will help to identify the specific stakeholders that are most relevant to the SESA and identify the priority areas for institutional strengthening that are needed for the realization of the SESA. This assessment will also gain information on where to focus future capacity building to support implementation of recommendations arising from the SESA, i.e. through focused personnel training or institutional strengthening. In order for the relevant stakeholders to fully engage with the SESA team, a series of educational or training sessions must first occur. The exact nature and content of these training sessions will be determined via a capacity assessment. Training and awareness material to enable the informed engagement of local communities and various target groups in the SESA will be developed in collaboration FNC and relevant stakeholders including NGOs/ CSOs.

98. The civil war in Sudan has not only retarded the county's social and economic development, encouraged internal strife and political instability, it has also contributed to massive displacement, and internal migration. This has put pressure on land resources and led to intra community conflict due to overlapping interest and competition over resources and land use. The R-PP has an elaborate section on conflict and grievance mechanisms. Under readiness, Sudan would conduct thorough review of the existing grievance, redress and feedback mechanisms to include local level and community based approaches to resolving conflicts based on tradition. Furthermore, during readiness, clear methodologies for inclusive consultation, the integration of stakeholder input, effective and transparent grievance redress and a suitable benefits sharing model relevant to all stakeholders will be critical components of the SESA process.

99. The final stage of the SESA process would be the development of the ESMF. The ESMF provides a framework for managing and mitigating social and environmental risks and impacts associated with REDD+ operations. It will ensure compliance of proposed REDD+ interventions with World Bank Safeguard Policies, most notably Environmental Assessment (OP/BP 4.01). The framework will also pay particular attention to the “do no harm” aspects of the applicable safeguard policies, such as Involuntary Resettlement (OP/BP 4.12) with its focus on the restriction of access to resources in legally designated protected areas and on physical and economic displacement. At the same time, the framework will identify ways to maximize benefits with regard to social, cultural and economic well-being of particularly forest dependent populations and marginalized groups within these populations; and prevent or mitigate any negative impacts on the forest biodiversity and wider ecosystem. Other Policies to be triggered include: OP/BP 4.04 on Natural Habitats; OP/BP 4.36 on Forests; OP/BP 4.11 on Physical Cultural Resources; and OP 4.10 on Indigenous Peoples.

2. Environmental (including Safeguards)

100. There will not be any on the ground REDD+ pilot projects to be financed under this grant. Strategic environmental issues pertaining to the REDD+ strategy options will be explored and reviewed to ensure they “Do No Harm” and are environmentally sustainable. These issues include biodiversity and ecosystem services; water quality; soil condition; food security; and energy supply. The SESA and ESMF will define how the REDD+ strategy options will address potential environmental risks and impacts and identify key safeguard instruments to be used. As part of the SESA policy, laws and regulation review, the following Acts and policies will be reviewed:

101. Sudan’s *Environmental Protection Act (EPA)* promulgated in 2001 is an umbrella law and provides the legal basis for Environmental Impact Assessments (EIAs) of proposed development projects. The Act provides definitions and several clarifications regarding natural resources management, sources of pollution and pollutants and endorses the “Polluter Pays” principle. The Act also makes it the responsibility of the project proponents, before embarking on any development activity, to carry out an Environmental and Social Impact Assessment (ESIA) to identify positive and negative environmental impacts with suggestions to mitigate adverse impacts. According to the Act, all development projects outside environmentally protected areas and in environmentally sensitive areas require an ESIA. The Act also requires all proponents to monitor projects and submit reports to the Higher Council on Environment and Natural Resources (HCENR). The Act, however, does not have the enabling regulations, guidelines and standards for its operationalization and application on the ground.

102. There is limited capacity within HCENR on the management of the ESIA process. Currently there are only about seven professional staff who are responsible to review and approve ESIA reports. Nonetheless, environmental expertise is locally available to conduct and review of ESIA (e.g., Academic

Researchers in the University of Khartoum, local consultants). Because of the in-house capacity limitations, the HCENR mostly uses these consultants for reviewing ESIA reports.

103. Other than the EPA 2001, Sudan has several laws which aim to protect the environment and biodiversity. These include:

104. **Combat Desertification Act 2009**, which aims to combat desertification and degradation, and develop and implement a national program to combat desertification;

105. **National Land Act 2009**, which established an independent National Commission for Lands to regulate land use;

106. **Mineral Resources and Mining Act 2005**, to regulate the exploitation of mineral substances, and control over the production, transportation and storage;

107. **Forest and Renewable Natural Resources Act 2002**, to re-establish the FNC and coordinate with competent authorities on land use and investment for forest and pasture development and encouraging afforestation;

108. **Water Resources Act of 1995**, to regulate the withdrawal of water from the Nile and the other rivers and groundwater, for irrigation, drinking and industry, power generation, water and sanitation, as well as the distribution of water and use;

109. **Protection of Wildlife and National Parks Act 1986**, which aims to protect wildlife, promote optimum utilization of the resources and their development.

110. In addition, Sudan is signatory to many international environmental conventions and agreements, including on biodiversity, international trade in endangered species, wetlands, climate change, cultural heritage, desertification, ozone depleting substances, and control of trans-boundary movements of hazardous wastes.

3. Consultation, Participation and Disclosure

Experience to Date

111. As noted earlier, more than 35 national-level REDD+ stakeholder consultations, awareness-raising workshops and seminars have taken place in Sudan. The stakeholders targeted both at the federal, state, locality and community levels include the following categories: (i) different lines ministries including sectors engaged in land use; (ii) focus groups representing forest-dependent communities, CBOs, NGOs/CSOs; (iii) the private sector (Kenana Sugar, DAL Group, Gum Arabic Producer Association, Farmers Union, and Charcoal Production Union); (v) academia; international organizations and bilateral donors.

112. Communication on REDD+ in Sudan has taken various avenues, through federal, state, locality and community levels. The Federal level Extension and Mass Media unit within FNC played a key role coordinating outreach, communication and dissemination of REDD+. They were able to utilize the decentralized State level extension officers within the Mass Media units to use various medium and channels of communications for outreach, consultations and feedback loop. To date, the use of media, community radio, newsletters, pamphlets local diagrams were used for communication and dissemination of REDD and its technicalities.

Proposal Going Forward

113. Sudan's Federal government has a formal Communication Policy and a formal Public Participation Policy, including environmental and natural resources policies to ensure that stakeholders are effectively involved in the development of policies, programs, and legislations. Although the R-PP does not contain a detail consultation and participation plan (C&P Plan), moving forward, it is expected that during readiness such a plan will be developed with the guidance of these policies. Furthermore Sudan is a signatory to ILO169 as well as the United Nation Declaration of the Rights of Indigenous Peoples (UNDRIP). They have adopted free prior and informed consent (FPIC) as the guiding principle for all consultations and participatory process. FPIC was implemented during the early consultations and dialogue that were implemented for the formulation of the R-PP. The C&P Plan to be developed will outline key principles for consultation which mirrors some of the requirements for FPIC.

114. The Federal level Extension and Mass Media unit within FNC will continue to play a lead role in assisting with the development of the C&P Plan, as well as coordinating and managing information dissemination and collecting stakeholder feedback in a centralized manner. Capacity gaps at decentralized levels are to be addressed in the early stages of readiness so as to avoid misinformation or miscommunication causing conflict or frustration amongst stakeholders, and also avoid consultation fatigue. Feedback mechanism will incorporate a grievance redress mechanism (as detailed in the ESMF) to log, track and resolve grievances as they arise. It is recommended that the C&P Plan is expanded to ensure a socially inclusive process throughout the readiness phase that is inclusive of all Sudanese regardless of their ethnicity or gender. Furthermore Sudan will help with the creation of a national and decentralized CSO/NGO REDD+ Platform. This Platform is expected to partner with FNC in helping move the consultations stakeholder engagement process for REDD+ readiness forward.

4. Safeguards Policies Triggered

115. The project falls under safeguards category B.

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
The Safeguard Policy for Environment Assessment is triggered in the context of future support for REDD + activities which may involve civil works and capital investment. An Environmental and Social Management Framework (ESMF) will be prepared to manage potential E&S impacts of these activities at local level. The Strategic Environmental and Social Assessment (SESA) to be prepared by the project will serve as a key document providing guidance on addressing E&S issues in the REDD+ Strategy, and the preparation of the ESMF. The SESA will also influence the final national REDD+ strategy, by ensuring that social and environmental risks are factored in the preparation of the strategy.			
Natural Habitats (OP/BP 4.04)	X		
The application of this policy seeks to ensure that all options proposed in the National REDD+ Strategy take into account the conservation of biodiversity, as well as the numerous environmental services and products that natural habitats provide to human society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests. The SESA will address issues related to natural habitats and potential impacts of the National REDD+ Strategy, which will later be included in the ESMF.			
Forests (OP/BP 4.36)	X		
Overall, REDD+ activities are expected to have significant positive impacts on forest, in that the main goal of the program is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Potential impact of the National REDD+ Strategy on natural forests will be assessed through the SESA and included in the ESMF. The SESA and associated ESMF will			

Safeguard Policies Triggered	Yes	No	TBD
reflect the requirements of the Bank's Operational Policy regarding forest management, in particular as these relate to the establishment of plantations.			
Pest Management (OP 4.09)	X		
This policy is triggered in the context of agricultural intensification and reforestation activities which could be part of future REDD+ activities. The ESMF will address critical issues related to pest management, as necessary, and the strategic issues related to pest management will be reflected in the SESA. Furthermore, the project will encourage Integrated Pest Management in future REDD+ activities.			
Physical Cultural Resources (OP/BP 4.11)	X		
REDD+ activities are likely to be implemented in areas containing sites deemed physical cultural resources by rural communities living there (e.g. holy/secret sites such as sacred groves, sacred forests, etc.). Though it is not anticipated that the project will have negative impacts on any such sites, the SESA will address issues related to physical cultural resources and potential impacts of the National REDD+ Strategy, which will later be included in the ESMF and a specific dedicated framework.			
Indigenous Peoples (OP/BP 4.10).	X		
This policy is triggered because there may be indigenous people in the areas where future REDD+ activities will be implemented. There will be a process of free, prior, and informed consultation with the affected Indigenous Peoples' particularly during sub-project preparation. Moreover, a social assessment will be conducted by the client.			
Involuntary Resettlement (OP/BP 4.12)	X		
REDD+ activities will trigger Involuntary Resettlement in situations involving involuntary restrictions of access to legally designated parks, protected areas, or forest management / reforestation areas. The policy aims to avoid involuntary resettlement to the extent feasible, or to minimize and mitigate its adverse social and economic impacts in cases where resettlement or other involuntary restrictions cannot be avoided. Through the SESA process, any issues related to land acquisition or involuntary resettlement will be identified, and a Resettlement Policy Framework will be prepared. In terms of restriction to natural resources, a Process Framework will be prepared as well.			
Safety of Dams (OP/BP 4.37)		X	
This policy is not triggered because Dams will not be financed under the project which only supports analytical work, institutional strengthening and capacity building that are critical for Sudan's progress towards readiness.			
Projects on International Waterways (OP/BP 7.50)		X	
Not applicable			
Projects in Disputed Areas (OP/BP 7.60)		X	
This policy is not triggered because the project will not be implemented in any disputed areas.			

116. The main safeguard instrument to be applied is the SESA. The SESA addresses key environmental and social issues associated with the preparation of REDD+ strategy options as well as REDD+ projects, activities (including investments), policies and regulations. It will also provide guidance on the preparation of an ESMF which will be used to manage E&S impacts of REDD+ activities. The ESMF may evolve and be updated over time when new REDD+ strategy options, projects or activities (including investments) and/or policies or regulations are identified during the implementation of REDD+. The SESA and the ESMF can ensure compliance with World Bank's environmental and social safeguards at program and project levels, respectively.

117. The SESA process requires that the selection of REDD+ strategy options should take into account the country's institutional and capacity constraints for managing environmental and social risks, as well as the potential environmental and social impacts associated with these strategy options. Any identified gaps to manage these risks and potential impacts in relation to relevant World Bank safeguard policies

should be identified along with the strategy options to feed into the preparation of the ESMF. The ESMF should provide a framework to manage and mitigate the potential environmental and social impacts related to specific projects and activities (including investments and carbon finance transactions, in the context of the future implementation of REDD+).

118. The ESMF will be structured to contain subject-specific frameworks addressing the relevant requirements of the applicable environmental and social safeguard policies including, but not necessarily limited to, a Resettlement Policy Framework (RPF); Process Framework (PF); and Indigenous Peoples *Planning Framework (IPPF)*.

Annex I: Result Framework

**Republic of SUDAN
SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Under the World Bank Forest Carbon Partnership Facility (FCPF)**

Project Development Objective (PDO): to strengthen Sudan's capacity to design a socially and environmentally sound national REDD+ strategies											
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR4				
Indicator One: Institutional framework for delivery of REDD+ is in place at national and state levels	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Annual	Institutional Assessment of REDD+ program	REDD+ Mgmt Unit	Institutional assessment describes an adequate system for REDD+ readiness
Indicator Two: A National REDD+ Strategy, incorporating Strategic Environmental and Social Assessment (SESA) outcomes and recommendations, is prepared and validated by national stakeholders;	<input type="checkbox"/>	Yes/No	No	No	No	No	Yes	Annual	Review of REDD+ strategy	REDD+ Mgmt Unit	There is broad support for the REDD+ strategy, as documented through the national consultation process
Indicator Three: An Environmental and Social Management Framework (ESMF)	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Annual	Review of ESMF consultation documents	REDD+ Mgmt Unit	The safeguards instrument ESMF is prepared and validated through a national consultation process

for managing potential social and environmental risks of agreed REDD+ strategy options is prepared and validated											
Indicator Four: Direct project beneficiaries (of which women)		Number (percent)	0	20 (20)	30 (20)	40 (25)	50 (20)	Annual			
INTERMEDIATE RESULTS											
Intermediate Result (Component One): improved REDD+ readiness management and institutional arrangements											
<i>Intermediate Result indicator One:</i> REDD+ Management Unit and Inter-Sectoral Technical Advisory Committee established	<input type="checkbox"/>	Yes/No	No	No	Yes	Yes	Yes	Annual	Review of document establishing the TAC	REDD+ Mgmt Unit	
<i>Intermediate Result indicator Two:</i> Feedback and Grievance Redress Mechanism for REDD+ is designed	<input checked="" type="checkbox"/>	Yes/No	0	No	No	Yes	Yes	Annual	Design document for FGRM is developed, including implementation plan	REDD+ Mgmt Unit	
Intermediate Result (Component Two): Support for national REDD+ Strategy (including Strategic Environmental and Social Assessment)											
<i>Intermediate Result indicator One:</i> Key studies	<input type="checkbox"/>	Number	0	1	3	3	3	Annual	Review and count of study reports	REDD+ Mgmt Unit	Studies: (1) policies; (2) wood based energy; (3) land

conducted related to strategic options for addressing deforestation and degradation											tenure; (4) forest governance
<i>Intermediate Result indicator Two: Review of key policies conducted</i>	<input checked="" type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Annual	Review of forestry, rangeland, livestock, water policies	REDD+ Mgmt Unit	
<i>Intermediate Result indicator Three: Strategic Environmental and Social Assessment mechanism established</i>	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Annual	Review of SESA document and validation workshops	REDD+ Mgmt Unit	SESA will also be subject to WB review
Intermediate Result (Component Three): Support for stakeholder engagement											
<i>Intermediate Result indicator One: Consultation and participation activities on forest management conducted</i>	<input type="checkbox"/>	Number	TBD	TBD	TBD	TBD	TBD	Annual	Review of consultation reports	REDD+ Mgmt Unit	In Khartoum, Gedaref and Sennar States
<i>Intermediate Result indicator Two: Civil society platforms established</i>	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Annual	Civil society platforms established at national and sub-national levels.	REDD+ Mgmt Unit	This will build on existing mechanism as much as possible
Intermediate Result (Component Four): Support for Monitoring, Reporting and Verification											
<i>Intermediate Result indicator</i>	<input type="checkbox"/>	Number	0	0	1	2	3	Annual	Review of National Forest	REDD+ Mgmt Unit	Khartoum, Gedaref and Sennar States will

One: National Forest Inventory (NFI) developed in priority states									Inventory		prioritized
<i>Intermediate Result indicator Two: Monitoring and Evaluation system developed</i>	<input type="checkbox"/>	Yes/No	No	No	No	No	Yes	Annual	Annual or semi-annual M&E reports are produced.	REDD+ Mgmt Unit	M&E system for forest indicators is producing pertinent M&E reports, at least annually. This is a predecessor to an MRV system.

Annex II: Preparation Schedule and Resources

**Republic of SUDAN
SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Under the World Bank Forest Carbon Partnership Facility (FCPF)**

Preparation Schedule and Resources			
Preparation Schedule			
Milestone	Basic	Forecast	Actual
AIS Release			12 August 2014
Concept Review		30 January 2014	
Auth Appr/Negs (in principle)			
Bank Approval		30 January 2014	
Sector Unit Estimate of Resources Required from Preparation through Approval			
Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)	
		Fixed	Variable
Bank Budget	0		
Trust Funds	\$18,154	335,000	165,000
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Asferachew Abebe	Sr. Environmental Specialist	Team Lead	GENDR
Nizar Abu Elzoul	Procurement Specialist	Procurement Spec.	GGODR
Magid Salah	E T Temporary	Operations Analyst	AFMSD
Tamene Tiruneh Matebe	Environmental Specialist	Environmental Spec.	GSPDR
Erik Winter Reed	ET Consultant	NRM Specialist	GENDR
Limya Abdelaziz	Monitoring and Evaluation Specialist	M&E Specialist	AFMSD
Nyabicha Omurwa Onang'o	Financial Management Specialist	FM Specialiast	GGDOR
Mistre Hailemariam	Program Assistant	Program Assistant	AFCE3

Annex III: R-PP Submitted by the REDD Country Participant

Republic of SUDAN

**SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Under the World Bank Forest Carbon Partnership Facility (FCPF)**

The R-PP can be found on <http://www.forestcarbonpartnership.org/Sudan>

Annex IV: Financial Management Assessment

Republic of SUDAN

SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+) Under the World Bank Forest Carbon Partnership Facility (FCPF)

1. Introduction

1. Recipients and agencies implementing World Bank projects are required to maintain adequate financial management arrangements to provide the Bank with accurate and timely information regarding projects resources and expenditures. The arrangements entail key Financial Management (FM) aspects of budgeting, funds flow, disbursements and banking, accounting, financial reporting, internal controls, audit and FM staffing. The Bank's financial management team conducted the financial management assessment of the project in accordance with the Financial Management Manual for World Bank – Financed Investment Operations issued by the Bank's Financial Management Sector Board on March 1, 2010. The objectives of the assessment were i) evaluate the financial management capacity of the implementing agencies ii) identification of key risks and challenges that may impend on the implementation of the project iii) development and agreement of risk mitigation measures iv) inform the design of the project FM arrangements.

2. Summary

2. The financial management risk is assessed as **High**. Sudan is a fragile and conflict inflicted nation with high political risk with a situation whereby some States are currently experiencing tribal wars and therefore not easily accessible for project implementation and monitoring. Various mitigating measures are designed both specific to the project and as part of other Bank/Donor engagements in the country. Given the consideration for use of Country systems, the project would adopt various aspects of the Government projects financial management systems including for accounting and reporting, banking, oversight arrangements with the Internal Audit, National Audit Chamber and staffing. The project would also focus on developing financial management capacity as part of the project activities. The Project Coordinating Unit (PCU) will be made up of key project staff including a team of professionals and nationals with relevant and adequate qualification and experience acceptable to the Bank.

3. Country Issues

3. In May 2010, the Bank finalized the Country Integrated Fiduciary Assessment (CIFA) for the period covering 2005-2007. The PEFA Public Financial Management Performance Measurement Framework comprised 28 country performance indicators and 3 donor performance indicators. The review process covered the entire PFM cycle from budget planning, budget formulation, budget execution, accounting, reporting, audit, strength of the national procurement system, strength of oversight of legislative and regulatory framework and management capacity. The principal finding of the PEFA assessment was that there were widespread weaknesses in the PFM system in Sudan, namely that: the budget was not yet a credible instrument of public policy since there were variations of the budget between approved and executed, it was not comprehensive since there were many extra-budgetary funds, transparency was weak, there were poor oversight over public enterprises, sub-national governments posed significant fiscal risks, the poverty reduction strategy was not yet finalized, the taxation systems needed reforms, the entire accounting system was manual with poor cash and debt management, the payroll systems were decentralized and weak, internal audit was limited in coverage, and external audit was badly in need for capacity building.

4. Combined with this was the finding that non-transparent public procurement practices were unchecked due to the lack of a comprehensive procurement law and weak procurement regulations. The shortage of procurement professionals to implement public procurement made public procurement inefficient. Due to these reasons, the fiduciary risk in Sudan was assessed as – **High**.

5. The assessment took note on key steps the Government has undertaken on the PFM front. These include i) robust and streamlined budget approval process that is complied with and respected by the MDAs ii) establishment of Cash management Unit (CMU) and Cash Management and Release Committees chaired by the Undersecretary MoFNE iii) robust oversight by the National Audit Chamber that has strong linkages with the Parliamentary Economic Committee.

4. Project level

6. This project is designed to be implemented by the Forestry National Corporation (FNC) a parastatal under the Ministry of Environment and Natural Resources.

a) Budgeting: Sudan's budget system reflects the fiscally decentralized structure. The budget is processed at the National and State levels. Budget procedures are documented in the Budget Policy guideline. The National budgeting process usually starts by issuing the budget preparation note to the Budgetary Policy guidelines. The Budgetary Institutions prepare their budgets in line with the budget ceilings and submit these to MoFNE. The budgets are reviewed initially by MoFNE and then by the Ministry of Ministers. The final recommended draft National budget is sent to Parliament. FNC prepares its budget and presents to its parent ministry of Environment and Natural Resources and this is consolidated at the Ministry of Finance and National Economy (MoFNE).

b) Accounting and Reporting: The Government of Sudan follows a double entry bookkeeping system and modified cash basis of accounting, as documented in the government's Accounting Manual, and these procedures have also been implemented in many States. The main elements of the accounting reform are the adoption of (a) a comprehensive Chart of Accounts consistent with the budget classification; (b) a system of ledgers accommodating all types of accounts (including transfers, assets, liabilities, and fund balance in addition to revenues and expenditures); (c) double entry bookkeeping (thus, a self-balancing set of accounts); (d) a system of control for budgetary commitments (recording commitments as well as actual payments); (e) modified cash basis transaction accounting; and (f) revised monthly report formats to accommodate double-entry bookkeeping and commitment control and permit better cash control. The government's Accounting Manual provides detailed information on the major accounting procedures.

c) The project will use the government's accounting system. The Chart of Accounts for the project should thus be developed to adequately and efficiently account for transactions and to report on project activities. Monthly, quarterly, and annual reports will be produced directly from the financial management system and thus a well-developed Chart of Accounts is crucial. FNC will retain all accounting documents on a permanent basis in a defined system that allows authorized users easy access. This procedure should be given due attention to avoid the misplacement of documents which may lead to the qualification of FNC's Audit Reports. Formats of IFRs will be developed by FNC with support from the World Bank Financial Management Specialist. The IFR will include:

- A statement of sources and uses of funds and opening and closing balances for the quarter and cumulative.
- A statement of uses of fund that shows actual expenditures, appropriately classified by main project activities (categories, components, and sub-components). Actual versus budget comparisons for the quarter and cumulative will also be included.

- Notes and explanations.
- A statement on movements (inflows and outflows) of the project Designated Account, including opening and closing balances.
- Other supporting schedules and documents.

d) Internal Controls: Internal control comprises the whole system of control, financial or otherwise, established by management to: (a) carry out project activities in an orderly and efficient manner; (b) ensure adherence to policies and procedures; (c) ensure maintenance of complete and accurate accounting records; and (d) safeguard the project's assets. Regular government systems and procedures will be followed, including those relating to authorization, recording, and custody controls. FNC uses those control procedures prescribed by the government. These procedures are adequate to ensure authorization, recording and custody controls. The project's internal controls, including processes for recording and safeguarding of assets, segregation of duties, procedures for periodic accountability, fund flow arrangement, auditing, are properly captured in the government financial management manual. Peculiar needs for the project such as reporting and auditing will be guided by the agreed formats and financial agreements to be signed with the Government of Sudan.

e) Internal audit arrangements: The Internal Audit Department within the MoFNE is adequately resourced to conduct frequent project reviews and report on the project progress and internal controls. The department will include this project in its annual work plans and review the documents as necessary. Feedback and recommendation on the project to the finance unit is expected to enhance the effectiveness of the management of funds.

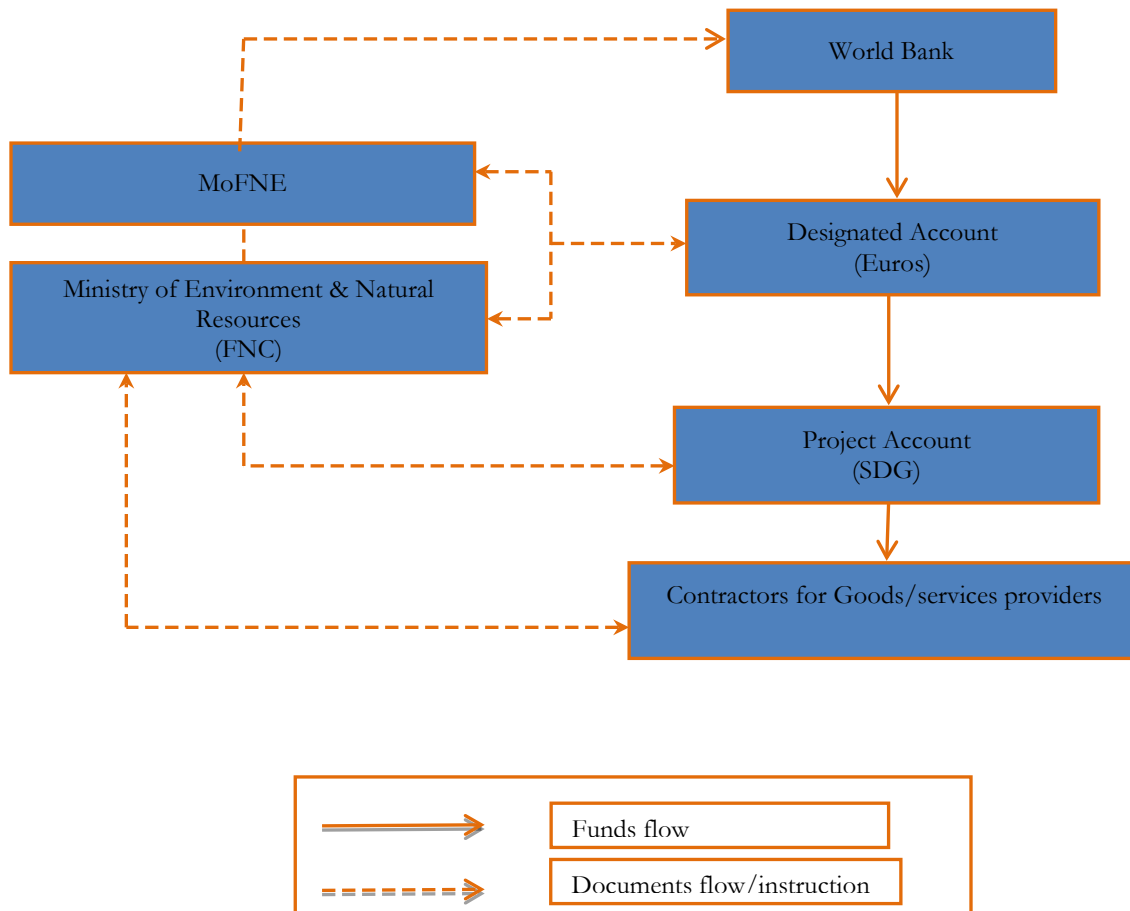
f) Fixed Assets and Contracts Registers: FNC will prepare and regularly update a Fixed Assets Register relating to the project. The project management will also ensure that any new assets are reflected in the register. A Contracts Register will also be maintained in respect of all contracts with consultants and suppliers. FNC will prepare Contract Status Reports quarterly as part of the IFRs. Control procedures over fixed assets and contracts management is the responsibility of the Ministry of Environment and Natural Resources.

g) External auditing: The audit will be carried out by the National Audit Chamber or a qualified auditor nominated by NAC and acceptable to World Bank. Annual audited financial statements and the annual Audit Report (including the Management Letter) for the project will be submitted to World Bank within six months from the end of the fiscal year. The annual financial statements will be prepared in accordance with the International Financing Reporting Standards and include the sources and uses of funds for the project (containing the same information as similar statement in the IFRs), with supporting schedules and other information. The formats of the annual financial statements will be included in the FM Manual. The draft annual financial statements will be prepared within six months of the end of the fiscal year and provided to the auditors to enable them to carry out and complete their audit on time. The auditor will express an opinion on the project financial statements. The audit will be carried out in accordance with the International Standards of Auditing issued by the International Federation of Accountants. The scope of the audit would also cover the reliability of Statements of Expenditures (SOEs) used as the basis for disbursements and the use of the Designated Account. The auditor will also provide a Management Letter which will, among other things, outline deficiencies or weakness in systems and controls provide recommendations for their improvement, and report on compliance with key financial covenants. The terms of reference for the audit will be agreed during appraisal. FNC will take the necessary follow-up actions on the Audit Reports. FNC will submit the government's response to the findings in the annual Audit Report to World Bank and an action plan for any follow-up actions.

h) Funds Flow, Disbursements and Banking Arrangements: *i) Banking arrangements:* A Designated Account (DA) in Euros will be opened for the grant funds from World Bank at the Central Bank of Sudan in Khartoum. A sub-account of the DA will be opened in Sudanese Pounds (SDG) at the same bank. Transfers from the DA account to the SDG sub-account will only be made after the

expenditure has been incurred (justified and properly documented) and payments are to be made. In essence, as much as possible, the SDG sub-account at the national level would have a zero balance. **ii) Withdrawal applications:** All withdrawal applications from FNC to the Bank will be made in Euros and when making applications via Client Connection, the FNC shall use the exchange rate indicated at the site and convert this to USD. Replenishment and Reimbursement Withdrawal Applications will be accompanied by Statement of Expenditures (SOEs) in accordance with the procedures established in the disbursement Letter and the Bank’s Disbursement Guidelines. Detailed disbursement arrangements will be documented in the Disbursement Letter. **iii) Monitoring and tracking of exchange rates.** Since the World Bank reports in US Dollars and FNC will be making withdrawal applications in Euros, it will be mandatory that when FNC submits withdrawal application for liquidation through Client Connection, it uses rate used at the timing the Bank was releasing that respective application. This is will avoid the realization of exchange gain (loss).

Figure: Flow of Funds



5. Risk Assessment and Mitigation Measures

7. **Table:** Financial Management Risk Assessment and Mitigating Measures

Risk	Risk Rating	Risk Mitigation	Residual Risk	Effectiveness condition(Y/N) ?
<p>Country Level</p> <p>i. Risk arises from weak capacity especially at the State levels.</p> <p>ii. Non comprehensive budget as project funds may not be included in National budget.</p> <p>iii. The PEFA revealed that the budget was not yet a credible instrument of public policy since there were variations of the budget between approved and executed</p>	H	<p>FM procedures and guidelines are in place for Bank supported projects in conflict inflicted states.</p> <p>Steps are being taken to carry out a Country Integrated Fiduciary Assessment.</p>	S	N
<p>Entity Level</p> <p>i. FNC have low capacity in budgeting, accounting, financial reporting and auditing.</p> <p>ii. PEFA revealed that there were poor oversight over public enterprises</p> <p>iii. Non-compliance with agreed procedures, guidelines and financial covenants and the entire accounting system was manual with poor cash and debt management.</p>	H	<p>FNC experience in managing Bank- financed projects will add value to the project. They are already implementing Gum Arabic project.</p>	S	N
<p>Project Level</p> <p>i. The project will be implemented in States and it will involve fund transfer to States which are insecure and inadequate financial management systems.</p> <p>ii. Lack of understanding of Bank requirements which may lead risk of:</p> <ul style="list-style-type: none"> • delays in signing of financial statements and audit report; 	H	<p>Support the Internal audit at the MoFNE to carry out frequent reviews and share the reports with the Bank for remedial action to be taken well in advance. Detailed procedures for financial reporting and control will be included in the Financial procedures manual, the project staff will be trained as well.</p>	S	N

Risk	Risk Rating	Risk Mitigation	Residual Risk	Effectiveness condition(Y/N) ?
<ul style="list-style-type: none"> delays in approval processes causing payment delays. 				
Inherent Risk	S			
Control Risk				
Budgeting The budget of the project may not be proclaimed at Ministry of Environment and Natural Resources. Lack of satisfactory variance analysis to monitor budget implementation may also be a risk.	S	MoFNE will issue the annual budget calendar circular in time to ensure that all projects supported by the Bank have enough time to produce budgets. Variance analysis will be part of the IFR content. Also the project staff will be trained well advance before the project inception.	M	N
Accounting Risk of delay in recording transactions which could result from over burden of 2 finance staff.	S	The current level of finance staff is expected to handle the project without much burden, FNC is advised to closely monitor the workload and add staff if found necessary.	M	N
Internal control and Internal audit. Internal audit function is not institutionalized within the Ministry of Environment.	S	The internal audit department is requested to incorporate all Bank supported projects in its annual work plan. The government's internal control procedures will be used which are believed to be strong. The Internal auditors will be required to make frequent State visits and make reviews and recommendations to FNC at Khartoum. The project will prepare the project operations manual to document the internal control procedures.	M	Y
Funds flow. Delays in submitting WA applications in time.	S	Funds will only flow from the Bank to FNC, and then to the respective States implementing the project. FNC will open a designated project bank account at the Central Bank of Sudan. This shall be one of the conditions to be negotiated before effectiveness of the project.	M	Y
Financial reporting Delays in financial reporting.	S	The IFR format will be agreed and this will be prepared at the HQ. Also FNC explore the possibility to have an accounting package for this project and other Bank supported projects as well.	M	N
Auditing Delays in preparation of financial accounts of the project and submission to NAC for audit. Also inadequate planning by NAC to audit the project.	S	The audit ToR will be agreed well in advance. The auditor will be recruited 6 months before the fiscal year end for the first audit of the project.	M	N
Control Risk	M			
Overall project FM Risk	S			

6. FM Action Plan

8. The FM action plan, presented below, will be confirmed at review meeting and the time of negotiation.

	Proposed Action	Timeframe	Responsibility
1	Assign one person from current Bank supported project to assist in project start up on FM issues	At effectiveness	FNC
2	Negotiate and agree on periodic internal audit reviews by MoFNE at State level	At effectiveness	FNC
3	Assign external auditor to the project	Within six months after end of fiscal year	World Bank and FNC
4	Submit quarterly financial reports	Within 45 days after the end of each quarter	FNC
5	Submit annual audit reports	Within 6 months after the end of each fiscal year	FNC
6	On-site visits to FNC	Quarterly	World Bank

7. **Supervision Plan:** FM supervision will be consistent with a risk-based approach, and will involve a collaborative approach with the TTL, FNC and procurement. Given a moderate risk rating, on-site supervision is expected to be carried out once a year, and would cover all aspects of FM, internal control systems, overall fiduciary control environment and tracing transactions from initiation process to disbursements. Additional supervision activities will include desk review of quarterly IFRs, internal audit reports, audited Annual Financial Statements and Management Letters as well as timely follow up of issues arising, and updating the financial management rating in the Implementation Status report (ISR) and the Portfolio and Risk Management (PRIMA) System.

Annex V: Procurement Management Assessment

Republic of SUDAN

SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+) Under the World Bank Forest Carbon Partnership Facility (FCPF)

1. **Procurement Environment:** In 2010 the Sudan Country Integrated Fiduciary Assessment (CIFA) identified the main issues in public procurement at the federal and state levels as: (i) incomplete and outdated legal, policy and regulatory framework; (ii) weak procedures and practices, often applied in a discretionary and discriminating manner; (iii) inadequate human and financial resources; (iv) an underperforming private sector; and (v) inadequate legislation, practices and institutions to ensure integrity and transparency of the procurement process. In 2010, Sudan enacted the Public Procurement, Contracting and Disposal law. Although Bank comment was sought on the Bill prior to its enactment, only some of the Bank comments on the draft Bill were incorporated. Thereafter, the Bank continued to assist the GoS to strengthen its public procurement system through the Multi-donors Trust Fund (MDTF) funded Public Sector Reform, Decentralization and Capacity Building Project (PSCAP) including: (i) equipping the General Directorate for Public Procurement, Contracting and Disposal, (ii) supporting the dissemination of the new Procurement law and Regulations, (iii) financing the preparation of a Public Procurement Manual, and Standard Bidding Documents (SBDs), and (iv) supporting the Training of Trainers (ToT) program.
2. **World Bank Guidelines:** Procurement for the project will be carried out in accordance with the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” both dated January 2011(Revised July 2014) as well as the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and Grants”, dated October 15, 2006 and revised in January 2011. Procurement through National Competitive Bidding (NCB) shall follow procedures acceptable to the Bank including the use of national SBDs prepared to the satisfaction of the Bank and issued in the Arabic language. Additionally, as Sudan is one of Fragile and Conflict-Affected Situations (FCS) countries, paragraph 12 of Bank Operational Policy (OP) 10.00 will be triggered to allow the application of the flexibility detailed in the Guidance to World Bank staff: Simplified Procurement Procedures in Situations of Urgent Need of Assistance or Capacity Constraints, April 2013.
3. **Assessment of agency’s capacity to implement procurement:** Form the procurement capacity assessment of FNC it reveals that although the agency has some experience of national procurement procedures, it is not adequate. Further the government staff does not have experience to handle procurement following World Bank procedures. Thus, there would be need to hire experienced procurement specialist to execute the procurement under the project. Presently the FNC which is implementing Revitalization of Gum Arabic project has a hired procurement Specialist under the project. This project will seek support from this procurement specialist till the time regular procurement specialist is hired under the project. Keeping in view the low procurement capacity within the implementing agencies as well as Sudan being a FCS country, the overall risk to procurement under the Project is rated **High**. Thus to mitigate the risk following risk mitigation action plan will be implemented:

Procurement Risk Mitigation Action Plan

	Risk	Risk mitigation measures	Responsibility	Proposed Completion Date
1	The capacity at FNC to execute procurement of the project is very limited	FNC will hire experienced Procurement Specialist (PS) to support the project. In the interim the PS for Revitalization of the Gum Arabic Project will provide necessary support to the project.	FNC	Effectiveness
2	Possible lack of knowledge to stakeholders involved in procurement and related activities about various aspects of procurement involved in the project.	The Project Implementation Manual (PIM) will include the procurement section clearly describing procurement arrangement, role and responsibility, procurement methods etc.	FNC/Bank	Effectiveness
3	Lack of capacity for satisfactory data management and maintenance of procurement audit trail	The hired PS will be responsible for this and will also train other counterpart staff in this area.	FNC	Effectiveness and thereon.

4. Specific procurement under the project:

- a. **Procurement of Works, Goods and Non-Consultancy Services:** There will be some simple works contracts procured under the project. Under goods, the project will mainly procure vehicles, IT equipment, stationery, furniture, survey and camping equipment.
- b. **Selection of Consultants:** Consulting services required under the project will consist of services of individual consultants to carry out studies and support the project in implementation as well as services of firms.

5. **Procurement and Selection Methods:** Procurement of goods, works and non-consulting services will utilize methods such as International Competitive Bidding (ICB), NCB, Procurement from UN Agencies, Community Participation, Force Account, Shopping and Direct Contracting. Selection of consultants will follow QCBS, QBS, Selection based on Consultants' Qualification (CQS), LCS, FBS, Selection of Individual Consultants and SSS.

6. **Workshops, conference attendance and study** tours will be carried out on the basis of approved annual/semi-annual work plans that would identify the general framework of training or similar activities, including the nature of training/study tours/workshops, number of participants, and estimated cost.

7. **Operating costs**, excluding salaries, bonuses, and fees for Government civil servants, would be incurred using procedures acceptable to the Bank.

8. **Simplified Procurement Plan:** The Borrower has developed a draft simplified procurement plan indicating procurements to be carried out over the first 18 months of the project. The procurement plan will consist of the procurement methods or consultant selection methods, the need for pre-qualification,

estimated costs, prior review requirements. The procurement plan will be updated at least annually, or more frequently as required, to reflect the actual project implementation needs and improvements in institutional capacity.

9. **Threshold for each method of Procurement/Selection and for Prior Review:** The recommended methods of procurement/selection and the prior review thresholds for the project would be as given below. The Bank's prior review requirements are stated in Appendix 1 to the Guidelines for Procurement and Appendix 1 to Guidelines for Selection and Employments of the Consultants. All Terms of Reference (ToRs) regardless of contract amount shall be subject to the Bank's Prior review.

A. Procurement of Goods and Non-Consulting Services

10. Procurement Methods and Thresholds for Goods and Non-Consulting Services

	Procurement Method	Threshold (US\$)	Comment
1.	ICB	5,000,000	Equivalent or more
2.	ICB (Goods and non-consulting services)	500,000	Equivalent or more
3.	NCB (Works)	5,000,000	Less than
4.	NCB (Goods and non-consulting services)	500,000	Less than
5.	Shopping	200,000	Equivalent or less
6.	Shopping (Goods and non-consulting services)	100,000	Equivalent or less
7.	Direct contracting	Any value	
8.	Procurement from UN agencies	Any value	

11. Prior Review Thresholds for Goods and Non-Consulting Services

	Procurement Method	Prior Review Threshold (US\$)	Comments
1.	ICB (Goods, Works and Non-Consultant Services)	All Contracts	
2.	NCB (Goods and Non-consulting services)	Equivalent or more than 500,000	The first contract under each category will also be subject to prior review.
3.	NCB (Works)	Equivalent or more than 5,000,000	The first contract will also be subject to prior review.
4.	Direct Contracting (Goods, Works and Non-Consultant Services)	Equivalent or more than 100,000	
5.	UN Agencies	All contracts	
6.	Shopping (Goods, Works and Non-consulting services)	None	All shopping of goods and works shall be subject to post review except the first one in each category.

B. Selection of Consultants

12. Selection Methods and Thresholds for Consultants

	Selection Method	Threshold (US\$)	Comments
1.	QCBS, QBS, FBS, LCS	Any value	Selection Method will depend on nature and complexity of assignment.
2.	CQS	300,000	Normally equivalent to or less than US\$ 300,000, however, in appropriate case as agreed in the procurement plan may be of higher value.
3	Individual consultant	Any value	
4	SSS	Any value	

13. Prior Review Threshold for Consultants

	Selection Method	Prior Review Threshold (US\$)	Comments
1.	Competitive Methods (Firms)	200,000	Equivalent or more
2.	Individual consultant selection	200,000	Equivalent or more
3	Single Source (Firms)/Individuals	100,000	

14. **Short list comprising entirely of national consultants:** Short lists of consultants for Engineering and Contract Supervision assignment estimated to cost equal or less than US\$ 200,000 equivalent and for all other consultancy assignments estimated to cost equal or less than US\$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

15. **Frequency of procurement supervision:** In addition to the prior review supervision to be carried out by the Bank, the Bank shall conduct an annual post review of a sample of 20 percent of all post review contracts finalized under the project.

Annex VI: Draft Grant Agreement

**Republic of SUDAN
SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Under the World Bank Forest Carbon Partnership Facility (FCPF)**

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Cable Address: INDEVAS

_____, 2014

[*Addressee
Address*]

**Grant Agreement for Republic of Sudan's Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF018165**

Excellency:

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility ("FCPF") regarding Selection of REDD Country Participants ("Resolution PC2008-2"). Resolution PC2008-2 provides that subject to the availability of funds, eligible REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (USD3,600,000) for formulating and carrying out a Readiness Preparation Proposal ("R-PP").

Republic of Sudan ("Recipient") was selected as a REDD Country Participant. The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/17/2014/9, decided to allocate grant funding to the Recipient in the amount of up to three million eight hundred thousand Dollars (USD3,800,000) ("Grant"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. The funds of up to two hundred thousand Dollars (USD200,000) out of this USD3,800,000 shall be used for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, subject to the terms and conditions set out in Resolution PC/Electronic/2012/1.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as trustee of the Readiness Fund for the FCPF, proposes to allocate to the Recipient the Grant in the amount of three million eight hundred thousand Dollars (USD3,800,000) 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 Readiness Preparation Activities described in the Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard

Conditions (as defined in the Annex to this Agreement), the World 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 Readiness Preparation Activities 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 the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By _____
Bella Bird
Country Director for the Republic of Sudan

AGREED:

REPUBLIC OF SUDAN

By _____
Authorized Representative

Name:

Title:

Date:

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated August 8, 2013.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.

VII.

VIII. Article I

IX. Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “‘Readiness Preparation Activities’ means the activities, described in the Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

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, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

(a) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework acceptable to the World Bank, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments.

(b) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

(c) “Strategic Environmental and Social Assessment” or “SESA” means the strategic environment and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.

Article II

Execution of Readiness Preparation Activities

2.01. **Objectives and Description.** The objective of the Grant is to assist the Recipient to carry out the Readiness Preparation Activities, and the Grant is intended to reinforce the Recipient's capacity to design a socially and environmentally sound national REDD+ strategy to reduce emissions from deforestation and forest degradation. The Readiness Preparation Activities consist of the following parts:

Component 1: Support for REDD+ readiness management and institutional arrangements

The activities under this component include: a) supporting the establishment and operationalization of the National REDD+ Secretariat; b) supporting the establishment and operationalization of the National REDD+ Steering Committee, Technical Advisory Committee, and REDD+ Technical Working Groups; c) strengthening sub-national REDD+ implementation arrangements at the state and local levels; d) providing capacity building to relevant REDD+ institutions; d) assessing, strengthening and, as appropriate, establishing feedback and grievance redress mechanisms and arrangements at the national and decentralized levels, to address any relevant feedbacks and grievances related to REDD+; and e) supporting monitoring activities.

Component 2: Support for national REDD+ strategy

The activities under this component include: a) supporting analysis of drivers of deforestation and degradation, and forest governance and land tenure; b) supporting analysis of REDD+ strategy options; c) undertaking Strategic Environmental and Social Assessment ("SESA"), and preparing an Environmental and Social Management Framework ("ESMF"); and c) supporting study on options for benefit sharing arrangement(s) for REDD+; and d) supporting the review of forestry, rangeland, livestock and water policies.

Component 3: Support for stakeholder engagement

The activities under this component include: a) developing a consultation and participation plan, conducting consultations on key issues related to REDD+, and developing communication materials and tools on REDD+; and b) setting up and strengthening civil society platforms to facilitate the consultation and stakeholder engagement process for REDD+.

Component 4: Support for monitoring, reporting and verification

The activities under this component include: a) supporting the development of a national forest inventory; b) supporting to build capacity for remote sensing activities; and c) supporting to build capacity for forest monitoring activities.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the REDD+ Management Unit of the Forest National Corporation under the Ministry of Environment, Forestry and Physical Development, 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.*** Without limitation upon the provision of paragraph 2.02 above, the Recipient shall ensure that, throughout the period of implementation of the Readiness Preparation Activities, the REDD+ Management Unit, National REDD+ Steering Committee, the Technical Advisory Committee, and the REDD+ Technical Working Groups have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Readiness Preparation Activities.

2.04 ***Safeguards.***

(a) all (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of this Agreement are consistent with, and pay due attention to, the World Bank's environmental and social safeguards policies; and

(b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention will be given to said policies.

2.05. ***Mid-term Progress Report and Completion Report.*** The Recipient shall, not later than [date], prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2.¹⁰ The Recipient shall also prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b)(ii) of the Standard Conditions.

2.06. ***Financial Management.***

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. ***Procurement.***

All goods, non-consulting services, and/or consulting services required for the Readiness Preparation Activities and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in

¹⁰ Resolution PC/7/2010/3 requires the REDD Country Participant to submit a mid-term progress report to the PC according to a timetable that shall be jointly agreed in the Readiness Preparation Grant Agreement between the World Bank and the REDD Country Participant. When the World Bank receives the REDD Country Participant's mid-term progress report in accordance with the timetable set out in Section 2.05 of this Agreement, it will forward the progress report to the PC for its review. Resolution PC/12/2012/2 specifies the process for the submission and review of mid-term progress report, including the format of such progress report.

accordance with the requirements set forth or referred to in the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,” dated January 2011, revised July 2014 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,” dated January 2011, revised July 2014 (“Consultant Guidelines”).

2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

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, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100 percent of Eligible Expenditures consisting of goods, non-consulting services, consultants’ services, Training and Workshops, and Operating Costs inclusive of Taxes.

For the purpose of Section 3.01, (i) the term “Workshops and Training” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities, 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 courses and workshop preparation and implementation (but excluding goods and consultant’s services); and (ii) the term “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, 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 Readiness Preparation Activity staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is [date].

Article IV Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister at the time for Economy and Finance.

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

[Redacted]
[Redacted]
[Redacted]
Facsimile: [Redacted]

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.20433
United States of America
Facsimile: 1-202-477-6391

Annex VII: Draft Terms of Reference for Strategic Environmental and Social Assessment

Republic of SUDAN

SUDAN: Reducing Emissions from Deforestation and Forest Degradation (REDD+) Under the World Bank Forest Carbon Partnership Facility (FCPF)

Introduction

1. Reducing Emissions from Deforestation and Forest Degradation (REDD+) is a proposed global mechanism to mitigate climate change caused by forest loss or degradation, while mobilizing financial resources for the socio-economic development in forest countries. The Forest Carbon Partnership Facility (FCPF) supports selected countries in the preparation and subsequent implementation of their national REDD+ strategies.
2. Support under the Readiness Fund includes: (i) developing a national reference scenario for REDD+; (ii) adopting a national socially and environmentally sound REDD+ strategy that would reduce emissions and at the same time conserve biodiversity, enhance the livelihoods of forest-dependent peoples and other forest dwellers; (iii) setting up implementation management framework for the effective and efficient implementation of REDD+; and (iv) designing and implementing accurate measurements, monitoring and verification systems to enable countries to report on emissions from deforestation and forest degradation.
3. The Government of Sudan started preparation of a Readiness Preparation Proposal (R-PP) in 2009 with the highly consultative process. Sudan was selected as a REDD+ country participant in the FCPF in 2012. The R-PP of Sudan, which was approved in Lima in July 2014, will cost about US\$8 million to implement. The World Bank, as Trustee of the FCPF, has provided US\$3.80 million for the implementation of key activities identified in consultation with the REDD+ stakeholders in Sudan.
4. The REDD+ readiness process should ensure that implementation of proposed programs and activities will not cause adverse social and environmental impacts, while striving to enhance benefits for local communities and the environment. Countries participating in readiness activities with support from the FCPF are required to undertake a Strategic Environmental and Social Assessment (SESA) to assess the potential impacts from national REDD+ programs and policies, formulate alternatives and develop mitigation strategies. SESA offers a platform for consultation to integrate social and environmental concerns into the policy-making process of REDD+.
5. SESA is complemented by an Environmental and Social Management Framework (ESMF), which establishes the principles, guidelines, and procedures for reducing, mitigating, and/or offsetting potential adverse environmental and social impacts, enhancing positive impacts and opportunities, and otherwise guiding potential investments towards compliance with relevant safeguards.
6. The SESA and ESMF are tools that seek to integrate social and environmental considerations into policy-making processes as well as REDD+ projects and activities, leading to more sustainable REDD+ implementation. It supports the design of the national REDD+ policy framework, including the National REDD+ Strategy.

Context

7. The work and deliverable required in this contract includes a collection of linked activities: (i) development of the SESA at the National Level (ii) a national-level Environmental and Social Management Framework (ESMF); and (iii) analysis of land and involuntary resettlement issues and the preparation of a Resettlement Policy Framework and Process Framework. These activities will support the integration of social and environmental safeguards into the REDD+ policy development. Each of these initiatives is discussed in detail below. A key overarching principle for this consultancy is that the outputs need to be generated in an integrated manner in tandem with the other REDD+ Readiness processes. There needs to be close coordination with the REDD+ Technical Advisory Committee and, depending on the specific activities, cooperation in planning, undertaking and analyzing the results with designated stakeholders and as appropriate, other consultants.

8. The development of the SESA will be done in tandem with the assessment of the strategic options at the national level. The SESA will assess the different REDD+ strategy options in an iterative and participatory way. This will be accomplished through a national and state policy dialogue that includes forest communities who represent the daily needs of subsistence land users at the local level. The SESA will value Sudan's principles and traditional authority and will include processes to build these principles into design. The (SESA Working Group to be established) and the national REDD+ Unit will provide oversight and coordination for the SESA and other safeguards reports described below. Furthermore, the SESA process will be guided by Consultation and Participation Plan and also involve consultations with key stakeholders and interest groups, including forest-dependent groups (ethnic minorities), forest dwellers, and communities living adjacent to the forests). It will be an inclusive process giving special consideration to livelihoods, land rights (including informal rights of forest-dependent people), biodiversity, cultural heritage, equitable distribution of benefits, gender, special protection of vulnerable groups, capacity development, and governance aspects of FCPF unique to Sudan.

Objectives

9. SESA aims to ensure that environmental and social issues and risks are addressed at an early stage in the process of formulating REDD+ policy and programmes.

10. The specific purpose of the SESA in Sudan is to identify opportunities that:

- Facilitate an understanding of the operating environment for REDD+ programs, including stakeholder analysis and the socio-environmental dimensions of the forestry sector;
- Identify potential environmental and social impacts related to REDD+ programs in Sudan;
- Design enhanced stakeholders consultation and participation approach to mitigate and/or enhance the identified impacts; and
- Suggest methods and measures to mitigate environmental and socioeconomic risks during REDD+ strategy implementation;

Scope of Work

11. The Strategic Environmental and Social Assessment (SESA) will encompass stakeholder analysis, a description of the initial social and environmental situation of the forestry sector in Sudan, an analysis of the possible impacts of different REDD+ strategy option scenarios, an analysis of impacts of different REDD+ alternatives and the verification of compliance with World Bank policies.

Major tasks

Task 1: Identifying key issues and assessment of key stakeholders

- Review and update the comprehensive list of stakeholders identified during R-PP preparation that are directly linked with the social and environmental impacts of the REDD+ readiness;
- Prepare a map of the forest dependent communities ;
- Analysis of their attachments, access to and use of forest resources, including the formal/informal institutions and internal mechanisms regarding the use of forests and equitable distribution of benefits from this utilisation;
- Assessment of issues and options related to land tenure and land rights, conflict resolution mechanisms, natural resource management and benefit sharing mechanisms; and
- A summary of their views, concerns and recommendations for REDD+ program.

Task 2: Outline the legislative, regulatory, and policy regime

12. Describe legislative, regulatory, and policy regime (in relation to forest resources management, land use, forest-based enterprises, etc.). The analysis must include, among others, a review of relevant environmental impact assessment guidelines, regulations and government policies regarding gaps for addressing environmental and social impacts including conflict and grievance redress mechanisms.

Task 3: Establish implementation arrangement

13. Describe the required arrangements for implementation modalities with a focus on the procedures for (i) screening and assessment of site-specific environmental and social impacts; (ii) the preparation of time-bound action plans for reducing, mitigating, and/or offsetting any adverse impacts; (iii) coordination, facilitation, monitoring the implementation of the action plans, including arrangements for the participation of relevant stakeholders.

Task 4 Assess capacity of institutions in implementing SESA and ESMF

14. Assess the capacity of institutions at national, state and local levels in implementing SESA and ESMF. The assessment should propose actions required to improve capacity such as staffing needs, inter-sectoral arrangements, management procedures, operation monitoring and maintenance arrangements, budgeting and financial support.

Task 5: Analysis of the possible impacts of different REDD+ strategy option scenarios

15. Analyse the social and environmental impacts of each REDD+ strategic option. This will help the implementing agencies to move the program in the right direction for poverty reduction, environmental protection, socioeconomic development and the protection of traditional rights and biodiversity.

Task 6: Present preliminary findings on Environmental and social risks and gaps

16. Present preliminary findings on Environmental & Social risks and gaps from the assessment work and analytical work undertaken. The preliminary findings will be presented to the stakeholders to stimulate a discussion and further enrich the document.

Task 7: Enhanced and targeted stakeholder consultation

17. Carry out targeted consultations on the REDD+ strategy options for Sudan, paying particular attention to the forest dwellers and indigenous people. These consultations should be culturally appropriate, taking into account the diversity of ethnic groups in Sudan.

Task 8: Preparation of final SESA documents

18. Prepare a SESA report that provides the findings and recommendations that have emerged from the SESA process. This report would, at a minimum, contain the following:

- Identify the key REDD+ social and environmental impacts emerging from the SESA analyses and consultations.
- Based on analyses and consultations, describe the policy, legal, regulatory, institutional, and capacity gaps to implement REDD+ and to manage the key environmental and social issues relevant to REDD+.
- Identify, analyse, evaluate and mitigate/enhance impacts of policy options so as to maximize the positive impacts and avoid or minimize the negative ones.
- Present recommendations for REDD+ policy design, implementation, and monitoring and evaluation (including legal and policy reforms) based on the results of the SESA.
- Formulate policy recommendations for a policy framework to address key environmental and social impacts, and for addressing institutional and governance weaknesses.
- Identify any gaps in knowledge where additional data-gathering and analysis may be needed.

Task 9. Preparation of Environmental and Social Management Framework

19. The Environmental and Social Management Framework (ESMF) will be developed from results of the SESA. The ESMF is an instrument to manage safeguards risks and impacts. The ESMF will help minimize and mitigate any potential negative safeguard risks and impacts of REDD+ as well as ensure its social and environmental integrity. The ESMF will lay out the processes, procedures and/or requirements through which future activities and projects under the REDD+ program, shall undergo to ensure compliance with safeguards.

20. In terms of engagement of all stakeholders, the ESMF will take the outcome of the stakeholder mapping exercises from the earlier SESA activities into consideration and give specific consideration to the protection of special and/or vulnerable groups of stakeholders. An assessment will be made of the capacity required to develop, implement, and administer the ESMF and potential shortfalls will be remedied with a capacity development program.

The ESMF incorporates procedures for:

- Description of the proposed project and analysis of alternatives;
- Comprehensive assessment of potential positive and negative environmental and social impacts of the potential projects
- Identification of capacity building needs for the project and recommendation of actions
- In-depth voluntary consultations with concerned stakeholder groups to seek their broad support;
- Culturally-appropriate capacity building measures;
- Environmental and social impact screening, assessment, and monitoring; and
- Grievance redress.

21. The ESMF also specifies the inter-institutional arrangements for the preparation of time-bound action plans for managing and mitigating adverse impacts related to the future project(s), activity(ies), or policy(-ies)/regulation(s).

22. By doing the above, the output is an ESMF that is compliant with applicable safeguard policies at the time of the assessment of the R-Package while also providing the overall framework for addressing social and environmental risk management issues in REDD+ activities that are implemented beyond the readiness preparatory work.

23. The development of the ESMF will be supervised by the REDD+ Unit and the SESA WG will be working closely with the consultants of the SESA to provide advisory support. FNC will coordinate the implementation of the SESA work plan.

Contents of the ESMF:

24. The Consultant will prepare a draft ESMF suitable for public consultations that includes the following:

- Review of the country's existing legal and institutional framework and current practices of relevant government agencies, vis-à-vis relevant World Bank Safeguards Policies as described in the R-PP Assessment Note, and the initial set of REDD+ strategy options (collected as part of the SESA activities);
- Description of the expected project/activity types under the REDD+ program i.e., the typology of potential REDD+ projects to be implemented;
- A list and description of the potential environmental and social risks and impacts for each anticipated project activities;
- Safeguard screening requirements for the overall REDD+ program at each stage of the project cycle, including required processes and approaches (e.g. awareness, consultation, social and environmental review, consensus building, stakeholder participation, etc.), documentary requirements (e.g. Environmental and Social Assessment Report, Environmental and Social Management Plan, evidence of free, prior and informed consultation, community consent, land acquisition documents such as landowner consent, lease agreement, etc.) and the responsible project unit;
- Methods by which the particular needs of ethnic minorities people have been incorporated in the overall project design;
- Institutional arrangements to implement the ESMF and relevant program units and staffing arrangements;
- Specific guidelines (e.g. how to conduct an environmental and social review of proposed project, consultation, etc.) and templates/forms for: (i) Environmental and Social Screening; (ii) Environmental and Social Management Plan (ESMP); (iii) specific checklists for those project types requiring greater environmental and social due diligence; (iv) approval; and (v) audit/monitoring requirements; and
- A capacity building plan for the various agencies and REDD+ program units involved in the implementation of the ESMF that includes a review of the authority and capability of institutions at different administrative levels (national and local levels)

Task 10. Preparation of Resettlement Policy Framework and Process Framework

25. Analysis of land requirements and Preparation of Safeguard Documents

The activities in this task are to be complemented with the preparatory work by the land tenure/forest governance analysis (under separate contract) and the SESA process. Given the locality based nature of REDD+ strategies, it is considered likely that REDD+ strategies may have impacts on land and access to livelihood resources. Accordingly a detailed analysis of land requirements will be required to identify these issues/risks early in the process. To address these issues/risks, a Resettlement Policy Framework (RPF) and a Process Framework (PF) will be prepared to establish objectives and principals, organizational arrangements, capacity building activities and funding mechanisms for any land requirements including compensation for resettlement or restrictions to access as required by the World Bank OP 4.12, Involuntary Resettlement. Since the extent and location of resettlement/compensation is not known at this time and will be determined as the SESA process unfolds and REDD+ strategies/activities are detailed, the Framework provides the opportunity to document how compliance with OP4.12 will be achieved, either through existing country systems, or through the use of special provisions documented in the Framework. If any resettlement/compensation is identified for any future

REDD+ activity, preparation of a Resettlement Action Plan or Process Framework will be subsequently prepared.

26. The RPF ensures that any Resettlement Action Plan protects affected parties and physical structures, and livelihoods are restored to their previous standard and preferably exceed their current status. The RPF will include the process for valuation of all associated impacts on people's property and livelihoods and address mitigation of the impacts of resettlement based on international standards.

27. A Process Framework will address restrictions of access to legally designated parks and protected areas which result in adverse impacts on livelihoods of the affected persons. The Process Framework will outline the criteria and procedures as described in OP 4.12, which will be followed for REDD+ activities in cases where project-induced involuntary restriction of access to natural resources results in adverse livelihood impacts, to ensure that eligible, affected persons are assisted in their efforts to restore or improve their livelihoods in a manner which maintains the environmental sustainability of the nature reserve in question. More specifically, it describes the participatory process by which: (i) specific components of the Project were prepared and will be implemented; (ii) the criteria for eligibility of affected persons will be determined; (iii) measures to assist the affected persons in their efforts to improve or restore, in real terms, to pre-displacement levels, their livelihoods (e.g., as appropriate, alternative grazing areas, cultivation of unique non-timber forest products such as mushrooms, or of other crops, or investments in community infrastructure) while maintaining the sustainability of the park or protected area will be identified; and (iv) potential conflicts involving affected persons will be resolved. It also provides a description of the arrangements for implementing and monitoring the process.

Task 11: Consultation on and Disclosure of the ESMF, RPF, and PF

28. The draft ESMF, RPF, and/PF) will be reviewed and discussed at a designated stakeholder workshops. The consultants and SESA WG will agree on the most efficient manner to ensure broad stakeholder feedback and consultation. Aside from the broad stakeholder consultations, targeted workshops should be held with state governments, forest and agricultural extension workers, CSO Platforms and community-based forest associations, custom institutions, women's and youth associations, and farmers associations. All consultations should follow the consultation and par principles. These consultations will also serve as validation workshops that will conclude with the final ESMF, RPF, and PF reports.

Task 12: The SESA Road Map and Estimated Budget

29. The REDD Management Unit will be responsible for leading the preparation of SESA and ESMF. The Unit will recruit two senior Specialists, one on environment and the other on social. The Specialists, in collaboration with the REDD Management Unit, shall carry out the following tasks:

- Prepare the SESA Process Work Plan and budget, including process for communicating, validating and providing feedback during the SESA process;
- Organize and facilitate countrywide consultations in accordance with the scope of the approved SESA work plan
- Collect, analyse and disseminate primary data, including mapping of social, economic and environmental issues pertaining to the drivers of deforestation, as a way to inform the development of SESA.
- Refine the ToR for the preparation SESA and ESMF, including the road map and detail budget.
- Provide detail information on the team composition and qualification of the SESA and ESMF preparation team. The SESA and ESMF preparation team is expected to be composed, among others, experienced Team Leader, Forest Governance Specialist, Social Development Specialist, Environment Specialist, Mapping Specialist and a Legal Expert.

The budget allocated for the SESA preparation is US 250,000.