THE REPUBLIC OF SUDAN

MULTI DONOR TRUST FUND
PROJECT PROPOSAL

COMMUNITY DEVELOPMENT FUND PROJECT (CDF)

November 24, 2005
## ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<tr>
<td>BoS</td>
<td>Bank of Sudan</td>
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<tr>
<td>CAP</td>
<td>Community Action Plan</td>
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<tr>
<td>CBO</td>
<td>Community-Based Organization</td>
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<td>CDD</td>
<td>Community Driven Development</td>
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<td>CDF</td>
<td>Community Development Fund</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<td>EGM</td>
<td>Environmental Guidelines Manual</td>
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<td>EMP</td>
<td>Environmental Management Plan</td>
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<td>GOS</td>
<td>Government of Sudan</td>
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<tr>
<td>IDP</td>
<td>Internally Displaced Person</td>
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<td>JAM</td>
<td>Joint Assessment Mission</td>
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<tr>
<td>LCB</td>
<td>Limited Competitive Bidding</td>
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<tr>
<td>LIU</td>
<td>Locality Implementation Unit</td>
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<tr>
<td>LM</td>
<td>Locality Implementation Unit Manager</td>
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<tr>
<td>LSC</td>
<td>Locality Steering Committee</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring &amp; Evaluation</td>
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<td>MDTF</td>
<td>Multi Donor Trust Fund</td>
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<tr>
<td>MFNE</td>
<td>Ministry of Finance and National Economy</td>
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<td>MICS</td>
<td>Multiple Indicator Cluster Survey</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MQC</td>
<td>Minimum Qualifying Criteria</td>
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<td>NCB</td>
<td>National Competitive Bidding</td>
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<tr>
<td>NGO</td>
<td>Non Governmental Organization</td>
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<tr>
<td>O&amp;M</td>
<td>Operations &amp; Maintenance</td>
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<td>OM</td>
<td>Operational Manual</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>PSC</td>
<td>Project Steering Committee</td>
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<tr>
<td>SA</td>
<td>Special Account</td>
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<tr>
<td>SBD</td>
<td>Standard Bid Document</td>
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<tr>
<td>SCA</td>
<td>Social and Conflict Analysis</td>
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<tr>
<td>SOE</td>
<td>Statement of Expenditures</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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Republic of Sudan  
Multi Donor Trust Fund  
Project Proposal

Project Name: **Community Development Fund Project (CDF)**

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>Ministry of Finance and National Economy (MFNE)</th>
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<tbody>
<tr>
<td>Brief Description:</td>
<td>The project supports community-led development in northern Sudan through partnerships among local stakeholders, including: localities, communities, NGOs and community-based organizations, on the basis of subprojects submitted by local communities and developed through a consultative, participatory planning process.</td>
</tr>
<tr>
<td>Project Development Objective:</td>
<td>The objective of the Project is to meet <em>urgent community-driven recovery and development needs</em> in the war-affected and underdeveloped areas of North Sudan including the Three Areas by providing social and economic services and infrastructure.</td>
</tr>
<tr>
<td>Sector:</td>
<td>Social Development</td>
</tr>
<tr>
<td>Location:</td>
<td>The Project will cover all Northern states and will coordinate closely with other major donor-funded community development projects (e.g., EC) to ensure harmonization of procedures and implementation mechanisms. The Project will be phased over several years and will consist of a series of successive three-year phases.</td>
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<tr>
<td></td>
<td>Target States: Blue Nile; Kassala, South Kordofan, North Kordofan.</td>
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<td></td>
<td>Phase I: Years 1-3.</td>
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<tr>
<td></td>
<td>Ten Localities were selected according to urgent needs in the priority states identified above.</td>
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<tr>
<td>Total Project Cost:</td>
<td>Total Project Cost: $50 Million; MDTF Financing: $30 Million. The Project may require additional financing as it scales up over time.</td>
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<td>Implementing Agency</td>
<td>Independent Project Implementation Unit reporting to an inter-ministerial project steering committee chaired by the Ministry of Federal Government.</td>
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<tr>
<td>Implementing Period:</td>
<td>Three years for Phase I to be followed by repeater projects.</td>
</tr>
<tr>
<td>Contact for further information</td>
<td>Director General, Ministry of Finance and National Economy</td>
</tr>
</tbody>
</table>

**November 24, 2005**
A. OBJECTIVES, RATIONALE, OUTCOMES AND PERFORMANCE INDICATORS

1. Project Objectives

The main development objective of the Project is to meet urgent community-driven recovery and development needs in the war-affected and underdeveloped areas of North Sudan including the Three Areas by providing social and economic services and infrastructure. Social service delivery is a means to facilitate conflict resolution and ensure peace dividends to the war-affected populations.

Consolidating peace while enhancing the government's legitimacy and promoting good governance, economic recovery and social stability take a prominent place on the development agenda of the GOS. By capturing the peace dividend, the Government intends to address the prevailing regional disparities in the country through the creation of a Community Development Fund (CDF) to serve as one of the main conduits of donor funding during the recovery period. CDF should be viewed as part of a national program that targets all war-affected areas and includes all similarly funded initiatives, which would eventually be integrated under one umbrella.

CDF would complement the Government’s programs by providing an efficient and effective alternative for the delivery of urgently needed basic social, economic and infrastructure services targeted at deprived communities. Viewed as a source of funds for local development, the project would generate support to the Government’s reconstruction efforts as it establishes partnerships with the states, localities, and local community groups and organizations.

2. Project Context and Rationale

Considerable government and donor funding has been channeled in the past towards implementing integrated community development projects in specific areas of Sudan. However, these were limited in scope and duration, while opportunities for scaling up successful experiences to the national level were fairly difficult due to lack of financing and limited institutional capacity.

Significant additional funding is expected to flow into the country during peace, which would require that an appropriate institutional mechanism be devised. A project that streamlines donor coordination at the national level while building on the successful experiences of community-based interventions would be the appropriate tool. The high level of unmet needs and the poor access to basic health, education, infrastructure services, productive activities and livelihoods require a sustained and effective intervention by both Government and donors. However, the limited absorptive capacity of Government programs to channel quick-disbursing funds to local communities, based on poverty targeting and responding to local needs, makes it imperative to explore alternative delivery mechanisms. The presence of a good track record in implementing similar projects at the local level, gives significance to the effectiveness of CDD-type interventions in a post-conflict situation.

3. Main Outcomes and Key Performance Indicators

Main outcomes supported by the Project:

a. Strengthen the role and capacity of localities and NGOs in the delivery of basic social services with local community participation in a sustainable manner.

b. Strengthen local community participation in the identification of basic social and economic needs within a framework that encourages transparency in priority setting and allocation of resources.

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1 A Community-Driven Development (CDD) approach is one that relies on the communities themselves to identify and decide on their needs and priorities through a participatory, consultative process rather than having decisions made for them by a central authority.
c. Establish a viable framework for an effective cooperation and partnership among social sector ministries, Localities, NGOs and local communities in the provision of basic services targeting particularly the poorest areas. Demonstrate the Government’s commitment to the empowerment of local agents of change (Localities, NGOs) and develop social capital at the local level by strengthening the role of local partners in implementing social development activities.

**Progress towards the above outcomes would be measured and monitored based on the following key performance indicators:**

a. Improvement in the quantity and quality and reduction in the cost to users of services accessed or accessible by less advantaged communities;
b. Increase in the share of public investments implemented by Localities and NGOs;
c. Increase in the share of the State budgets elaborated and disbursed on the basis of participatory plans for local development.

**B. PROJECT DESCRIPTION AND COMPONENTS**

The longer-term objective of the series of CDF projects is to establish capacities, mechanisms and procedures that will support sustainable locally-led development. The challenge of this project being the first in a series of operations, is to respond to the immediate objective of fulfilling the urgent recovery needs of war-affected and poor communities in the first three years (Phase I), while subsequent phases will address the medium to longer term objective of establishing the foundations for CDD within a sustainable inter-governmental fiscal framework.

Future phases of the CDF will ensure that it acts as a conduit for decentralization through promoting pro-poor spending. It would do so by developing performance agreements with the states indicating the respective commitments of the CDF, and of the states, including financing the recurrent implications of the CDF investments, as well as the aggregate pro-poor spending of the states and their evolution through time. These performance agreements will be entered into with the CDF in the selected states starting in Phase I.

1. **Targeting**

Geographically, the Project will cover all Northern states and will coordinate closely with other major donor-funded community development projects (e.g. EC) to ensure harmonization of procedures and implementation mechanisms. The Project will be phased over several years and will consist of a series of successive three-year projects. Phase I (Years 1-3) will start in the following states: Blue Nile; Kassala, South Kordofan and North Kordofan. The Project will target ten localities selected according to urgent needs in these priority states. These are:

- **South Kordofan State:** Abu Gebiha, AL Rashad and Kailak localities
- **North Kordofan State:** Sodari, Jabrah and Wad Banda localities.
- **Blue Nile State:** AL Roseries and ED’ Damazeen localities
- **Kassala State:** Kassala Rural and Hamaish Koraib localities.

In subsequent phases, the project will scale up and target other war affected areas and poor and marginalized communities based on a poverty targeting map. Equity in resource allocation among communities in the targeted states would be ensured based on a poverty targeting map that will be developed during project implementation and that builds on the work of several surveys conducted by UN agencies and based on multiple key social and human indicators, such as UNICEF’s upcoming Multiple Indicator Cluster Survey (MICS). As CDF evolves, it will establish field-based operational targeting mechanisms that will guide resource allocation further down to the community level.
2. Project Components

Component 1. Community Development Subprojects

This component would serve to address pro-poor community development priorities as laid out in the peace protocols, with particular emphasis on access and quality of basic education, health and water services. The component would target areas with low relevant per capita indicators and gender inequity to improve the access and, over time, quality of basic social services. It will build and renovate basic education and health facilities, promote adult literacy and child immunization campaigns, launch rapid vocational training programs for school-drop-outs, facilitate the creation of youth centers, launch revolving textbook projects and other social services directed at the poor. Programs to facilitate the social integration and inclusion of vulnerable groups such as elderly, disabled, women heads of households and children victims of violence, AIDS victims, drug addicts, war-crippled victims, unemployed youths, etc., will also be emphasized. Gender and conflict-sensitive analysis will guide the allocation of resources among these vulnerable groups. This component would also concentrate on the provision of small rural infrastructure including access and rural roads and environmental protection activities including community potable water, wells and spring protection, small wastewater treatment schemes that use appropriate technologies, improved solid waste collection, treatment and disposal and reforestation and protection of natural sites.

Communities and the organizations that represent them would take the lead in implementation under this window. Localities and other development partners, UN agencies and the private sector, would support communities in this process. This component could also serve to support the return and reintegration process (particularly related to social services). The maximum size of a typical subproject under this component is $100,000 equivalent. All subproject proposals have to satisfy specific selection and eligibility criteria as stipulated in the project’s Operational Manual (OM). Given the magnitude of the needs in the target localities, in the process of selecting specific communities, the project will take into consideration the existence of enabling conditions and synergies with other development interventions, particularly in the first year of project implementation. Thus, for example, communities in which NGOs or others have already established representative community development committees will be considered for inclusion.

Component 2. Capacity Building, Monitoring and Evaluation, and Project Management

Training, technical assistance and capacity building would be provided to localities, NGOs and local Community-Based Organizations (CBOs), to improve their technical skills in the identification, planning, programming, management and delivery of social subprojects. In addition, this component would establish the eligibility of target localities to receive funds from the project through conducting a training program aimed at building their capacity in the areas of project management (e.g., transparency, accountability, financial management, procurement), and community participation and empowerment (e.g., participatory planning process and inclusion of marginalized segments of the population in decision-making). Once the project validates the attainment by these localities of the above Minimum Qualifying Criteria (MQC), they will be eligible for receiving funds under the project, which they would then channel to service providers for the benefit of the target beneficiary communities using NGOs, CBOs, private sector, and social sector ministries.

Project Costs by Component. Table 1 shows the project costs by component. It also shows the distribution of financing between MDTF and GOS. This is the first phase cost, considering that CDF is part of a national program that should be developed and costed during the first year of implementation as data on community-based needs of other states become available. This is deemed critical to ensure an appropriate level of funding commensurate with the huge needs and equity considerations in non-project areas and consistent with the understanding that the current proposal is the first slice of a longer-terms plan. In this context, funding per locality becomes a sensitive matter that should be weighed against needs in the communities to be identified within these localities.
Table 1: Project Costs by Component

<table>
<thead>
<tr>
<th>Component</th>
<th>Indicative Cost (US$M)</th>
<th>% of Total Cost</th>
<th>MDTF Financing (US$M)</th>
<th>GOS Financing (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Community Development Subprojects</td>
<td>42.00</td>
<td>84</td>
<td>25.00</td>
<td>17.00</td>
</tr>
<tr>
<td>Component 2: Capacity Building, Monitoring and Evaluation, and Project Management</td>
<td>8.00</td>
<td>16</td>
<td>5.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>50.00</td>
<td>100</td>
<td>30.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Total Financing Required</td>
<td>50.00</td>
<td>100</td>
<td>30.00</td>
<td>20.00</td>
</tr>
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</table>

C. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

The MFNE would have overall oversight on MDTF-funded projects through an inter-ministerial committee chaired by the Under Secretary, MFNE. This committee is responsible for national level coordination with MDTF donors and for managing donor and GOS counterpart funds. It will oversee implementation of the different MDTF-funded projects and approve the selection criteria for MDTF sector-wide allocations. It will delegate project execution to a Project Implementation Unit (PIU), established at the central level as an independent unit with administrative and financial autonomy. Overall policy and strategy direction for the Project would be provided by the Project Steering Committee (PSC) that will comprise: Secretary General, Ministry of Federal Government as Chairperson; Under Secretary, Ministry of International Cooperation as Rapporteur; Undersecretary, Ministry of Foreign Affairs; Under Secretary, Ministry of Labor and Administrative Reform; Director, International Cooperation, MFNE; and CDF Executive Manager. PSC is in charge of coordination at the state and locality levels, including the selection of states and localities that will benefit from CDF. It will approve CDF annual work plans and budgets, and facilitate day-to-day implementation by the PIU and localities.

The PIU will be responsible for channeling the project funds directly to localities satisfying the MQC, who would implement the subprojects identified by the communities through a participatory needs assessment process. It will be responsible for overall monitoring and reporting on implementation, and accounting for resources to the relevant national and state authorities. Subsidiary offices to the PIU would be established in the target localities—Locality Implementation Units (LIUs), to supplement the locality capacity and follow up on project implementation. The project would maintain a light institutional structure all over with emphasis on working through existing intermediary structures be it eligible localities and/or NGOs. NGOs will play a critical advocacy and project facilitation role while localities assume the main responsibility for project implementation.

Localities will implement through private sector contractors and suppliers, NGOs, and communities themselves or their representative grassroots organizations. Local government and sector ministries will facilitate implementation by providing logistical and technical support and allocating the necessary counterpart recurrent budget for the operation and maintenance of assets built under the project. The representative grassroots organizations have responsibility for mobilizing communities and helping them prioritize their needs and developing subprojects that translate those needs into actual benefits.

The decentralized institutional model proposed below relies more directly on localities as local government structures to facilitate area planning, review and approve community subprojects, disburse and manage funds, contract for the required goods and services from either private or NGO sources, and monitor implementation. This institutional model ensures a simple and streamlined flow of funds that allows for building the capacity of localities, which are critical to long-term local development. Such an
approach offers the best option for rapidly scaling up in order to support both the immediate and on-going recovery process. The project will address locality capacity issues immediately, building upon locality strengths, while providing training and support where the locality capacity is weak.

1. Locality Implementation Unit (LIU)

The implementation of all activities under this project will be undertaken by eligible localities through the establishment within each locality of an LIU headed by an LIU Manager (LM) who is a social or community development specialist assisted by a Procurement Officer, Financial Officer, Engineer, and support staff. The LM will liaise with related governmental departments at the locality and state levels in addition to community structures. The LM is recruited competitively from the private sector and reports directly to the PIU Executive Manager. The remaining LIU staff shall be allocated from the Locality staff to the LIU on a full time basis. An important element of the project will comprise training for the LIU staff. Training may also come from NGO partners to ensure that the project interventions are sustainable and build capacity.

2. Locality Steering Committee (LSC)

*Composition.* The LSC will comprise the Locality Executive Officer as Chairperson, LIU as secretary and one representative from each of the Locality technical departments, health, education and social, plus one representative from the relevant water authority. In addition, the LSC will invite technical expertise in the different sectors from NGOs, academic and research institutes, line ministries, and individual specialists. These will be invited as needed to provide essential advisory services and consultation to the LSC in carrying out its functions. This arrangement will augment the LSC technical capacity without burdening its institutional structure. The LSC main functions are:

- Coordinate and work closely with the Locality to ensure timely implementation of the project;
- Facilitate the process of needs identification, prioritization and subprojects submission;
- Review and appraise subproject proposals to ensure compliance with the project’s guidelines and eligibility criteria;
- Mobilize local government in support of the project and oversee implementation by the LIU;
- Ensuring that all Community Action Plans (CAPs) meet minimum requirements in terms of consistency with sector policies, standards and general priorities to ensure a speedy delivery of the interventions funded by the project;
- Coordinate between the project and other development programs and stakeholders working in the same areas, and facilitating implementation when blockages in implementation occur;
- Participate in the M&E of all interventions at the community level;
- Depending on the nature of the deliverable, take the necessary arrangements with the relevant state line ministry/authority to obtain the necessary permits and authorizations; allocate the staff to the relevant facility established under the project, e.g., school or health center; assume responsibility for the assets delivered under the project; and provide the recurrent budget for Operations & Maintenance
(O&M). The LSC may also opt to establish user associations to assume O&M responsibilities in lieu or in partnership with the relevant sector authority; and,

- Report on CDF-funded subprojects to the PIU.

3. Non Governmental Organizations (NGOs)

Under the overall guidance of the PIU, each locality that fulfills the Minimum Qualifying Criteria (MQC), i.e., becomes eligible to obtain funding under the Project, will need to rely on NGOs that will be selected according to eligibility criteria established in the Operational Manual (OM). The specific roles and responsibilities of NGOs in facilitating the implementation of subprojects are: (i) assist the LIU, CBOs and localities to strengthen their organizational and operational capacities, (ii) accompany the LIU, localities and CBOs in the “on-the-ground” execution of subproject activities, (iii) provide technical assistance to the LIU and CBOs throughout the subproject cycle, (iv) assist the LIU in reviewing and appraising subproject proposals which have been submitted by local communities and recommend for funding to the LSC; and, (v) support the LIU and localities in the overall monitoring and evaluation of project activities. It is important to note that the role of NGOs in the project is not restricted to the ones selected at the onset to provide technical support to the LIUs. Other NGOs could be selected at any stage of the project cycle to assist in all relevant steps from design to implementation.

4. Community-Based Organizations (CBOs)

CBOs are groups of rural citizens of one or cluster of villages/hamlets or block in rural town with a common interest and who organize into officially constituted civil associations. They identify, prepare, assist in implementation, supervise, operate and maintain their subprojects supported by technical assistance and training made available by the Project through NGOs as described above.

5. Project Cycle

Promotional Activities. The PIU will be responsible for promoting CDF to eligible communities selected according to key social and infrastructure indicators. Whenever feasible, the PIU in cooperation with the LIUs will sub-contract promotional activities to NGOs or expert institutes and individuals.

The objectives of promotional activities are to:

(i) increase awareness of the objectives, progress and impact of the CDF among local communities and community members, the private sector, and the NGOs;

(ii) explain the importance of community participation, equity, and consultation of beneficiaries in project identification, elements of project design and the demand-driven character of the CDF;

(iii) share information on what CBOs and NGOs are eligible for financing (the targeting strategy) and the rationale for the targeting strategy;

(iv) spread information widely on the typology of projects that can be funded, criteria for approval, procedures that must be adhered to in order to obtain funds, and availability of training and technical assistance;

(v) promote a sense of community involvement, project ownership, community responsibility, and joint decision-making in communities; and

(vi) ensure that women, the poor, the vulnerable and groups that may typically be excluded from information circuits are aware of the CDF.

The Project Cycle below describes the various stages through which the project will pass. Steps 1-3 have started as part of the Social and Conflict Analysis (see Section D. Social Issues), but will continue
through a more focused assessment of the target communities during the first six months of the project. By then, a Community Action Plan (CAP) would have been developed for communities involved in the first year of project implementation, including a detailed description of the subprojects to be implemented during the life of the project. For subsequent years, the full cycle will be followed, especially if the project is to identify and target new communities within the locality.

6. Project Eligibility and Design Criteria for Component 1

Community Action Plans. The community action plan should emerge from a participatory appraisal, in many cases to be conducted with the facilitation of NGOs, which should include: (1) definition of community priorities; (2) participatory problem diagnosis which would highlight the underlying issue that the proposed activity would address and enabling conditions for the activity to lead to positive end results (such as the need for a teacher if a school is identified, or for ensuring sufficient revenue and management structure for spare parts if a water point is prioritized, or of training on maintenance) and any other solutions that may address the underlying problem identified; (3) potential synergies or partners for the proposed activity; and, (4) estimated cost and resources the community could contribute. At the conclusion of the community participatory consultations, the LIU validates the CAPs and ensures completeness of the proposals as to clarity of objectives, detailed implementation arrangements, timetable and cost, before submitting these proposals to the LSC for endorsement. The LIU makes it clear to community representatives and stakeholders that the preparation of a subproject proposal does not mean that financing will automatically follow, and that there is a screening process. Most of these subprojects address general community development priorities, but some may address the needs of specific vulnerable groups, e.g., unemployed women heads of households.

Subprojects proposed are simple, avoid administrative complexity and have no negative social or environmental impacts. Eligible subprojects are able to demonstrate that they are demand-driven, high quality, cost-effective, and sustainable. They are able to demonstrate a clear, cost-effective benefit through improvements to community infrastructure or human or social capital, or contribute to improving the income levels of poor people. Such subprojects will achieve at least one of the following objectives:

(i) improve access to basic social and infrastructure services in poor rural & urban areas;
(ii) enhance incomes or employment opportunities or reduce costs of basic necessities;
(iii) carry out social programs, training, education, life and employment skills;
(iv) enhance environmental protection initiatives.

Project Eligibility. Projects submitted by NGOs/CBOs are expected to cover a variety of activities based on their social fields of expertise. Such proposals will not include basic social infrastructure projects, for these are supposed to be funded under the CAPs. Examples of proposals that are eligible for funding are:

- Assessment of community needs, priorities and support to communities in proposal formulation.
- Capacity building to strengthen networking and enhance engagement of marginalized groups.
- Initiatives that formalize local participation in decision making processes at the community level (partnership between communities and localities).
- Activities that promote access to information by the poor to critical services or new opportunities.
- Activities that promote own NGOs/CBOs capacities (know-how, practices).
- Activities that enhance partnership with key players in support of development processes, and facilitates subproject implementation.

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2 This will include the views of different community members, such as women, through a representative community development committee where it exists, or through separate consultations with representative groups of community members to ensure that there is sufficient community level consensus and ownership of the proposed subproject.
CDF Subproject cycle: Component 1

Step 1: Identify Target Communities

Step 2: Conduct Information Campaign

Step 3: Community Participatory Consultations

Step 4: Training on subproject design & CAP preparation

Step 5: Prepare Community Action Plans (CBOs w/support from NGOs)

Step 6: LIU Technical review & screening of CAPs for environment, social, financial, and sector coherence

Step 7: Review and approval by the PIU of all CAPs

Step 8: Endorsement of Locality Steering Committee

Step 9: Locality and stakeholders’ framework agreement for CAP implementation (MOU)

Step 10: Environmental, technical, and social feasibility studies, design as needed*

Step 11: Prepare SBD for procurement of works, goods and services.


Step 13: Contract implementation (works, goods, services); quality control and monitoring. Procurement Plans shared w/beneficiary community.

Step 14: Project Completion, approval and hand-over to community.

Step 15: Provide training (if required)

Step 16: Measure process, output and outcome indicators.

Step 17: Document lessons learned and share with stakeholders.

* Assessment of World Bank social and environmental safeguards would be included in this phase, to be detailed in the OM, and including issues concerning land needed for the specific subproject, verifying no involuntary resettlement has occurred and documenting any voluntary resettlement, and so forth.
7. Procurement

The project will be designed, implemented and supervised by local authorities having little or no experience in Bank procurement procedures. Procurement under the project however consists of small contracts below the threshold for Bank prior review and will follow national regulations. In addition, Bank procurement procedures will be simplified and streamlined through the use of an OM including basic procurement methods such as shopping and local competitive bidding. The use of work force by the community themselves will be encouraged and, if well applied, may lead to savings and additional benefits to the communities. Lack of experience however will have to be compensated by TA, mostly through NGOs and independent consultants hired by the Project to assist the LIUs in drafting of simplified bid documents, technical specifications and contracts, advertising (when needed), evaluation and supervision of works. Important prerequisites for a successful project implementation will be therefore: (i) an effective decentralization of procurement authority to the LIU closer to the communities, (ii) the use of qualified TA to help the LIUs implement their functions; and, (iii) clear procedures to be used by the PIU and LIUs under the project.

Procurement with Community Participation. The implementing institutions would favor the participation of local community groups or institutions, and/or NGOs and private sector to increase utilization of local know-how and materials including labor-intensive and other appropriate technologies. The procurement procedures, specifications and contract packaging may be suitably simplified and adapted to reflect these considerations, provided these are consistent with the principles of economy, efficiency and social equity. In addition, an innovative element of this project could introduce measures to include community involvement in monitoring of project progress, such as providing them with the procurement plan and contract progress so that they can monitor when different elements of the subproject are to be completed, such as the different phases of construction by a contractor.

Use of Bank Guidelines and Standard Bidding Documents. Procurement of Goods and Works will be carried in accordance with the Bank’s Guidelines for Procurement under IBRD and IDA Credits, May 2004. Due to the community driven nature of the project and the fact that the maximum size of subprojects will not exceed US$100,000 it is expected that there will be no use of ICB under the project except for vehicles and equipments. Whenever a large contract will be tendered, Bank standard bid documents (SBD) will be used. In the case of National Competitive Bidding (NCB), standard documents based on the SBDs will be used. Due to the nature of the project and the size of subprojects, the bulk of the procurement of works and goods will be conducted using NCB, Limited Competitive Bidding (LCB) and Shopping and other methods consistent with community participation in accordance with clauses 3.3, 3.4, 3.5 and 3.17 of the Bank Guidelines. Since the procurement will be carried for small packages at the state and locality levels and with the participation of the CBOs, the design of the procurement arrangements will maximize the use of national procedures with the aim of simplifying and adapting these procedures to a level being acceptable to the Bank.

Procurement Capacity. The implementation of the project will be managed mainly by the LIUs in each of the ten localities and coordinated through the PIU in Khartoum. By effectiveness of the project, all of these ten units should be fully staffed. Localities procurement officers should have considerable experience in national procurement procedures, and in particular procurement of works and goods. However, they may have no exposure to the Bank procurement procedures in relation to the selection and employment of consultants.
The capacity of all Locality Procurement Officers will be strengthened to enable them to handle the procurement activities under the project. Training seminars will be conducted to introduce recruited staff to the Bank Procurement Guidelines. Furthermore, considerable discussions will be carried with the recruited procurement officers to explain the project requirements in terms of simplified procurement methods and use of simplified bidding documents. In addition to the general procurement training that will be conducted, more intensive training will be conducted prior to the project start up.

8. Financial Management

Though there is no diagnostic work on the Public Financial Management (PFM) system of the country, the project preparation team in its recent visits; and the JAM and other missions have noted that in general the PFM system in North Sudan is reasonably well functioning, but needs to be substantially revamped and modernized. The GOS has a well developed cash-based PFM system. There is wide variability in the systems, accounting practices and capacity at the state level. According to MFNE assessment, some of the states have reasonably good capacity, while others have not. There is also a wide variability in capacity at the locality level.

The financial law and regulations issued by the National Assembly and MFNE, respectively are the basis for budgeting, spending, recording, reporting and auditing of the government resources. The Accounts Chamber and the Internal Audit Department in MFNE have adequate and experienced staff who are engaged in recording, reporting and auditing of the government budget. The government accounts for the fiscal year ended 31 December 2004 was closed by the end of April 2005 and the National Audit Chamber is in the process of auditing the accounts. The Financial Control Committee, which is chaired by the State Minister of MFNE, is responsible for the improvement of the internal control system in MFNE and spending units.

The country’s financial law and regulations will be equally applicable to the project. The project will use cash basis of accounting with a double entry accounting system, which is currently used by the government. In order to strengthen the internal control system of the project and meet donors’ reporting requirements, the central PIU will develop a financial management manual. The manual will include, among others, accounting policies and procedures, chart of accounts, and reporting formats.

The central PIU will be responsible for the overall coordination and management of the project. At the locality level, LIUs will be established to oversee the project activities. The PIU and LIUs will have financial officers on full time basis to look after the financial transactions of the project.

The PIU will open a Special Account (SA) in a commercial bank acceptable to the World Bank and a local currency account in the Bank of Sudan (BoS). Money can be transferred from the SA to the local currency account to cover the World Bank’s share of expenditures. Replenishment of the SA will be based on the submission of regular Statements of Expenditures (SOEs). Each of the LIUs will open a local currency account in a commercial bank. The LIUs will submit regular financial and physical reports to the PIU on regular basis.

The National Audit Chamber will audit the financial transactions of the project. The auditors’ reports will be submitted to the World Bank six months after the end each fiscal year. In addition, internal auditors in MFNE and spending units will include the audit of the project financial transactions in their work program.
Challenges that face the PFM system of the country are (1) the entire accounting system is manual; (2) the budget classification needs to be in line with the international standards; and (3) improvements of commitment control, debt management, cash management, revenue management, reconciliation of the accounts. Various PFM capacity building activities are underway in the country, some supported by donors and others financed from the government own resources.

9. Monitoring, Supervision and Reporting

Simple and measurable monitoring indicators on process, output and outcomes will be established and will be collected, analyzed, and documented on a regular basis. The project will be jointly supervised by the Bank and MDTF donors on a regular basis (three times a year), and technical support would be provided on site to help the PIU and LIUs monitor project activities. Donors will be encouraged to provide TA to help implement and monitor project activities and to contribute to the various assessments and reviews that will be conducted during the life of the project. A technical audit will be carried yearly by an independent consulting firm. The scope of this audit will include technical and fiduciary processes and their adherence to the project guidelines. This firm will be recruited by the PIU and funded from the project. In addition, as noted above, the project would experiment with community level monitoring of subproject progress. The following reports would be produced and used for monitoring each of the two components: Quarterly project implementation; Monitoring and disbursements reports; and Bank supervision reports.

10. Sustainability

Several aspects of this project lead to better sustainability of its interventions. These are: (i) the participatory approach adopted throughout the project cycle; (ii) the emphasis on building local capacity; (iii) the strengthening of stakeholders’ ownership and partnerships with Localities, NGOs and CBOs; (iv) the utilization of the local government administrative structure as a conduit for implementation, thus absorbing recurrent operating costs; and (v) the inclusion of elements that nurture social organization, mobilization and empowerment of local communities. Where recurrent costs lie outside of the locality, the steering committee, PIU and LIUs will play a key role in ensuring coordination (with either the state, other donors, or central government ministries).

At the level of the specific subproject investments, sustainability would be ensured through:

- Initial assessments of subproject feasibility (social, economic, financial, technical and environmental);
- Requirement that all subprojects include operations and maintenance arrangements whether through the establishment of user groups or maintenance funds; and
- Cooperation with line ministries and sector agencies for financing of recurrent costs.

Another element of sustainability is related to the level of compensation of Locality staff allocated to the LIU. The project will not allow any topping up of public sector salaries, deemed to create distortions in the local salary scale and incentive structure, and to threaten sustainability of project interventions beyond MDTF financing. The project will adhere to established local government pay scales and related administrative rules, which permit performance and other allowances under specific circumstances. CDF will also ensure consistency with the practices and hiring procedures of other UN and donor agencies. Equally important are the efforts aimed at fiscal decentralization, which should in the long term address public sector management issues.
and provide a more conducive and sustainable framework for development interventions at the local level. CDF should be seen in the context of a phased approach that eventually links with the Government's decentralization agenda and is re-enforced by it.

Recurrent Cost Implications. Subproject proposals should be explicit about the recurrent cost implications of project investments and should ensure that these are spelled out in the CAP MOU and that commitment is sought from the proper authorities to cover these expenses.

11. Benefits and Risks

Experience shows that for CDD operations to be successfully implemented and for benefits from these operations to be maximized, a number of factors need to be present. These factors include:

a. a strong sense of commitment at the highest levels of Government;
b. a flexible menu of interventions;
c. a strong management with operational autonomy;
d. transparent decision-making procedures with regular financial and operational audits;
e. a demand-driven and simple community-based project design to ensure local ownership;
f. an outreach program that emphasizes bottom-up initiatives; and, a well-established targeting and monitoring system.

These operations also have important supplementary benefits. They contribute to decentralization of service delivery and to bringing NGOs into a more collaborative and coordinated relationship with local governments. They also provide models of efficiency and effectiveness, which may be used by other public sector agencies. The design of the CDF would draw on the above lessons and experiences. Similarly, the project will address several critical risks and risk mitigating measures (see attached annex). In addition, as these are formerly conflict affected areas, a risk is of project benefits being viewed as favoring specific groups. The project’s focus on transparent selection of target communities according to objective criteria, and its attention to issues of inclusion in the detailed design (see social issues below) should address this risk.

D. SOCIAL ISSUES

The social development outcomes of the project, which pilots a new community demand-driven cross-sectoral approach to local development in select communities in four states, are: (i) enhanced *inclusion*, through bringing benefits of poverty alleviation to deprived communities in general and through specific attention to ensuring the inclusion of youth and women in development benefits and processes; (ii) enhanced social *cohesion*, through the empowerment of local beneficiary communities and local NGOs to participate in local development actions; (iii) enhanced *conflict resolution* mechanisms to facilitate the emergency return and reintegration of IDPs and refugees; and (iv) enhanced downward *accountability* to local communities for the results of development actions, both by localities and also by state governments, through an agreed program of shared development action for small-scale investment in local public goods.

The project is taking into account the specific context of the post-conflict situation and social context in the localities in which it will work. During preparation and extending into the project mobilization phase, it is undertaking a Social and Conflict Analysis (SCA) in the ten localities. The SCA will have three main purposes:

a) To undertake a **social and conflict analysis** of target communities outlining social composition and structure (identifying key stakeholder groups, assessing their livelihood
strategies, types of vulnerability, key socio-economic cleavages and respective social and environmental needs), and inventorying community resources, level of organization, social structure and capacities (natural, physical, institutional, social and human) that can contribute to participatory sustainable development. In addition, the SCA will highlight the key underlying sources of conflict and history in the project areas, and will make recommendations on how the selection of specific communities, and the detailed project procedures will seek to bring greater cohesion to the project areas, and avoid any exacerbation of existing sources of conflict.

b) To collect baseline data on the social, economic and environmental status of communities and their constituent groups to be used as baseline for monitoring and evaluating progress, and to aid in the selection of the initial communities to be included in the project according to this baseline data.

c) To provide feedback directly from communities on the types of priorities that are likely to emerge during the initial year of the project and on the priority opportunities for sustainable development and poverty alleviation to be supported by the CDF, taking account of the interests and priorities of different stakeholder groups as well as local organizational capacity.

The participatory approach is integral to this project. In each of the 10 localities, qualified social development consultants, knowledgeable about and committed to a participatory and inclusive approach, will be participating actively during the coming few months by engaging key stakeholder community groups in the gender-sensitive SCA. These stakeholders will include not only the localities, the lowest body of government, but also systematic consultations with groups of women and youth and communities at large. Further, these consultations will take into account the specific conflict context in each state, in order to ensure that no stakeholder group is excluded from these consultations. These stakeholder groups will be collectively engaged in program identification and will be involved in execution, monitoring and evaluation, although for the present, capacity constraints require financial management and contracting to be administered through the LIUs. A key criterion for selection of communities for this project, through the ongoing SCA, is their demonstrated commitment and ability to bring together a wide range of stakeholder interests for participatory development. The capacity of localities to develop sensitive local social assessments, prepare community action plans and evaluate results will be enhanced during the project.

The social context and level of community empowerment and organization in project communities is highly diverse. In some communities there is little experience with the involvement of women in associations or in overall development activities, whereas in other communities, the level of association and empowerment of women is high. In addition, some communities have limited experience with participatory development or representative development committees. Given the potential benefits in terms of producing results early on in the project, there is likely to be a focus in the first year on communities with some community mobilization, which would facilitate rapid implementation (such as areas where NGOs or other CBOs have already identified and worked with village development committees). In addition, the project will innovate with providing information to target communities on the procurement and implementation plan for their specific subproject so that they might play an active role in monitoring contractor’ progress and to increase their ownership of the process. The Government intends that the lessons learned from this project’s participatory approach to local development through local government, would be documented and applied more widely throughout the country. There are clear indications from other states, and from the GOS, of interest in adopting this approach. Lessons learned could have wider regional application.
E. ENVIRONMENTAL ISSUES

The components of the proposed project are not expected to have significant environmental issues. Investments under Component 1 (Community Development Subprojects) are small-scale infrastructure improvements and rehabilitation, most of which will be less than US$100,000 of value, and are not expected to have major adverse environmental impacts, as they would be limited in scope. The proposed project will not fund any new major construction, and no subproject involving involuntary acquisition of land or other assets or resettlement will be financed. A considerable number of positive impacts will arise from the implementation of the project. Potential negative impacts will be mainly related to construction activities including disruption of traffic pattern, interference with other infrastructures, disrupted access to residential buildings, change in the landscape (loss of vegetation), noise nuisance, air pollution due to dust formation, safety hazard from construction activities and inappropriate disposal of excavated materials and construction debris.

Environmental Guidelines will be prepared and will be included in the Project OM. Subprojects submitted for financing will be environmentally screened and will be subject to an environmental review according to the Guidelines. This review would identify potential environmental issues that might arise from the proposed subprojects. Based upon the review, the applicant may be asked to prepare an environmental assessment or an Environmental Management Plan (EMP) to ensure that all negative impacts are properly mitigated and monitored. Environmental criteria are also included in the selection of subprojects, and adequate mitigation measures will be incorporated in the contract agreements so that all anticipated environmental impacts would be avoided or minimized. Key stakeholders of the project include the MFNE, Ministry of Federal Government, targeted localities, NGOs and CBOs.

The environmental guidelines will include details of environmental review procedures, institutional arrangements for environment as well as legal requirements. Any subproject, as a condition of approval, will be required to meet all environmental requirements and have in place all necessary approvals, licenses and certificates as required by the relevant government authorities. Environmental training will be provided to the PIU, LIUs, communities and NGOs.

An Environmental Guidelines Manual (EGM) is being developed, and will be disclosed in Sudan and at the Info Shop in the World Bank prior to Grant effectiveness. The Bank will review the draft EGM and confirm its relevance to and appropriateness for the project before it is finalized and disclosed.

Institutional arrangements for implementation of the environmental guidelines involve the inclusion of an Environment/Social Specialist in the PIU and establishing Focal Points at the various levels within the government agencies responsible for effective implementation of the project. Training in the application of environmental and social safeguards will be conducted for relevant staff. During supervision, the Bank will assess progress in mainstreaming the environmental guidelines and, if required, will recommend appropriate adjustments.
## F. CRITICAL RISKS AND RISK MITIGATION MEASURES

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<thead>
<tr>
<th>Risk</th>
<th>Risk Mitigation Measure</th>
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<tbody>
<tr>
<td>Government resources are not provided on a timely basis.</td>
<td>The MFNE will allocate government counterpart funds to the PIU Project Account as part of the annual development planning and budget allocation exercise.</td>
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<tr>
<td>Ineffective implementation by the PIU.</td>
<td>Provisions will be made in the project to hold implementation workshops prior to the start of project activities. PIU staff will be selected based on their qualifications and experience and will be trained on Bank procedures. Project launching workshops and seminars to strengthen the capacity of Localities and NGOs will also be conducted.</td>
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<tr>
<td>Political interference in the targeting of priority areas and selection of priority needs.</td>
<td>Government assurances would be sought that targeting and priority setting will be as a result of the social assessment and needs identification studies that were conducted as part of project preparation. The OM would contain clear criteria and procedures to be confirmed with GOS that will ensure the selection of initiatives and priorities in accordance with objective needs definitions and community priorities.</td>
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<tr>
<td>National and local NGOs are made aware of CDF and are mobilized to make the most of project resources and to assist communities in submitting subproject proposals targeted at vulnerable groups.</td>
<td>A public awareness campaign to inform NGOs and CBOs about the project will be launched by the PIU in the targeted localities. These campaigns would aim at informing and mobilizing the NGO community to partner with the project. The PIU would ensure a rapid appraisal of the proposals submitted by the NGOs to maintain the momentum and interest in the project.</td>
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<tr>
<td>Sufficient effort is made in capacity building, including training of the Localities and NGOs on using Bank procedures.</td>
<td>Bank procedures will be made available in Arabic and workshops will be conducted on Bank procurement and financial management procedures.</td>
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<tr>
<td>Localities and beneficiary communities may not effectively participate in project execution. Also, that certain elements of the beneficiary community are systematically excluded (women, displaced, people from certain tribes etc.) and that this leads to increased tensions.</td>
<td>Special efforts targeted at Localities and beneficiary communities will be launched at the onset of the project to ensure their full ownership from the inception stage. The project includes resources to build capacity of Localities and NGOs in all aspects of the project cycle including sustainability upon commissioning of the subprojects. In addition, initial consultations with communities will include an analysis of stakeholders to screen for such systematic exclusion, risk of conflict and outreach to these groups.</td>
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National and local NGOs may lose interest in and commitment to the Project.

The Project will require beneficiary participation in all aspects of the project from selection of priority needs to execution and operation and maintenance to ensure ownership. Implementing NGOs will be required to work closely with beneficiaries throughout the entire process to provide the necessary support and promote participation.

Government procedures cause delays in day-to-day project management by the PIU.

Maximum autonomy would be sought for the PIU within the local government structure. The OM and legal documents would make clear provisions defining the roles and responsibilities of the PIU vis-à-vis local authorities. Simplified Bank procedures would be adopted for use by all benefiting from the project. These will spelled out clearly in the Grant Agreement and agreed during project preparation.

The consultative process between the various local actors: communities, NGOs, CBOs, Localities and States is unclear and similarly the rules of engagement and expectations at each level lack transparency and are not based on sound, objective criteria.

The Project Proposal and Operational Manual would be explicit about the project cycle through which priorities get defined and subprojects get proposed and approved to ensure that communities engage in a true demand-driven approach that maximizes participation and equity in resource allocation and shields the project from political interference.