

**UNDP-REPUBLIC OF SOUTH SUDAN**  
**INCLUSIVE GROWTH AND TRADE CAPACITY DEVELOPMENT**  
**PROJECT DOCUMENT (DRAFT)**

Country:	South Sudan
Executive Entity:	UNDP
UNDAF Outcome(s)	Chronic food insecurity is reduced and household incomes increased
Country Programme (CP) output 3:	Chronic food insecurity is reduced and household incomes increased
Expected Project Outputs:	<ul style="list-style-type: none"> <li>• Improved Policy and Regulatory Frameworks for Inclusive Growth Gradually diversified the fiscal revenue base away from near- complete dependence on oil revenue;</li> <li>• Enhance institutions that promote the involvement of the poor in income generating activities</li> <li>• Support value chain analysis for selected products and business development</li> <li>• Strengthen institutional capacity for trade policy formulation and coordinated implementation</li> <li>• Promote the expansion of access to finance and financial services, especially to women and youth</li> </ul>
Project Partners	<ul style="list-style-type: none"> <li>• Ministry of Finance, Commerce, Investment, and Economic Planning; State Ministries of Finance; Office of the President</li> </ul>
Time Frame	<ul style="list-style-type: none"> <li>• 2 years</li> </ul>

Programme Period:	2012-2016	Total resources required:	\$ 6,498,922
Programme Component:	Poverty Reduction and MDG	Total allocated resources:	
Atlas Award ID:	00064183	• Regular:	_____
Start Date:	1 January 2012	• Other:	
End Date :	31 Décembre 2016	o EIF	3,000,000
PAC Meeting Date:	18 February 2012	o MDG Trust Fund	360,000
		o Unfunded budget:[ res required minus alloc. resources]	
		In-kind Contributions:	

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## 1. Situation Analysis/Context

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The prolonged conflict as well as neglect in the past has eroded any meaningful economic activity in South Sudan which, as a result, is currently highly dependent on oil revenue, which is a non-renewable and unsustainable source. It will also take the country a long period to transform the oil revenue into other forms of capital that will generate adequate employment opportunities for the people. Hence, creating enabling environment for inclusive growth through promotion of small and medium enterprises is of paramount importance to the new country not only for poverty reduction but also for maintaining peace and security.

Lack of development has been a key driver of the conflict in South Sudan. Moreover, private sector has never existed in the south except in its crude form where most enterprises are either one person business or too small to be considered a real employer. The population is therefore currently predominantly rural (83%) and dependent on subsistence agriculture. Household income and employment are generated predominantly by crop production and livestock-rearing. Much rural sector activity is currently focused on low input – low output subsistence agriculture instead of production for markets.

Poverty, as a result, remains endemic, and South Sudan is currently not on track towards achieving any of the Millennium Development Goals (MDGs). At least 80 percent of the population is income-poor, living on an equivalent of less than USD 1 per day, and more than one third of the population lacks secure access to food, with women-headed households being particularly affected.

The government has developed an interim medium term plan, South Sudan Development Plan (SSDP) to achieve rapid rural transformation to improve livelihoods and expand employment opportunities. The plan aims to ensure food security and improve livelihoods and income generation for the people of South Sudan, through sustainable use of natural resources and land management. The plan also aims to advance and accelerate the broad-based economic growth and sustainable development led by private sector in South Sudan, with clearly delineated roles for the public and private actors.

This project is designed to support the Government's efforts to create an enabling environment for rapid private sector development in key growth sectors such as agriculture and effectively use its natural resources to accelerate inclusive growth, complementary to World Bank Group initiatives in this area. This initiative comes under the new UNDAF and CPD frameworks based on which UNDP aims to be more strategic and focus on simple and transformative interventions that can be taken to scale. UNDP will thus focus on four key programme areas: (i) Creating an enabling environment for inclusive growth through policy and regulatory frameworks development, ii) Strengthening social and economic opportunities and incentives for the poor to engage in sustainable development; iii) Strengthening institutional capacity for trade policy formulation and coordinated implementation and iv) Expanding access to finance and financial services, particularly for women.

In post-conflict countries PSD is used to build sustainable employment and reintegration by enabling the business environment and directly assisting the development of local markets.

## 2. Strategy for promoting inclusive growth

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The SSDP stresses that the economic development challenge for South Sudan is to translate its abundant resources and workforce potential into better human and development outcomes for all its people and future generations. Given South Sudan's current abundant fertile land, water resources (including relatively reliable rainfall), its youthful labour situation but highly constrained skills, productivity and investment levels, the greatest potential for initial new growth is likely to be from the small- scale private, predominantly family, agriculture and livestock sectors.

The government medium term plan further stresses that sustained economic growth is a key factor in reducing poverty where it is accompanied by measures to improve human capital and ensure that growth is both broad-based and equitable. This underscores the importance of ensuring that all segments of the population – children, youth, adults and older persons as well as both the rural and urban poor – are enabled to participate in and to benefit from a process of inclusive growth.

The UNDP supported Economic Development and Inclusive Growth Programme under the first Country Programme Document in South Sudan builds on the lessons learnt from the 2009-2012 Country Programme Action Plan and responds to the national development priorities as outlined in the South Sudan Development Plan 2011-2013. The thrust of the strategy focuses on enabling the Government to design and implement policies and strategies that are pro-poor and create an enabling environment for more inclusive growth and private sector development in key growth sectors. In order to enable pro-poor economic growth, equitable distribution of gains, the UNDP support will provide emphasis on the following five key interventions:

- 1) Support the placement of enabling policy and regulatory framework for inclusive growth**
- 2) Enhance institutions that promote the involvement of the poor in income generating activities**
- 3) Support value chain analysis for selected products and business development**
- 4) Support institutional capacity for trade development and coordination**
- 5) Promote the expansion of access to finance and financial services, especially to women and youth**

#### **2.1. Improved Policy and Regulatory Frameworks for Inclusive Growth**

International experience on promoting private sector and facilitating investment and the adoption of new technologies clearly underscores the importance of a transparent and stable business environment, including the legal and regulatory framework.

UNDP aims to strengthen the government plan to facilitate broad-based and sustainable private sector growth and economic diversification through supporting the placement of enabling policy environment. In addition to sound and effective macroeconomic policy the government needs to put in place specific policies such as on agriculture, PSD, trade, investment, etc. The government rightly plans to develop, implement and enact land policies and respective laws for land tenure security and conflict prevention. UNDP in this regard plans to extend the necessary support to the Land Commission (with law enforcement agencies and traditional local authorities) so that the draft Land tenure policy and regulatory land laws already prepared will be enacted, implemented and monitored.

To enhance the relevance of various policy frameworks, UNDP will support the implementation of appropriate studies that identify challenges and potentials for private sector led inclusive growth in South Sudan. The studies will also aim to improve the business environment and reduce the cost of doing business in South Sudan. According to the SSDP, the Doing Business in Juba Report 2011 will provide the first baseline position on a number of indicators of the business environment whereas the Ministry of Commerce, Industry and Investment will lead the development and implementation of a strategy to address key constraints, aiming to reduce the cost of doing business in South Sudan.

#### **Key Activities:**

- I. Identify and support the implementation of relevant studies to identify key challenges surrounding private sector development and SMEs in particular.

- II. Strengthen capacity of senior level policy makers, legal professionals and mid-level managers with skills and techniques to drive the inclusive economic growth paradigm through customized in-country training and short-term TA
- III. Support the development and operationalization of relevant policy frameworks focussing on:
  - I. A coherent trade policy framework
  - II. Agricultural policy and growth strategy including a medium term strategic plan/ possibly including land policy with Land commission
  - III. Policy and regulatory frameworks for PSD as well as strategies for the development of small and medium enterprises
  - IV. Improved policy and regulatory framework for inclusive finance
  - V. Increased policy and regulatory framework for investment and promotion of employment (especially for the youth)

## 2.2. Enhance institutions that promote the involvement of the poor in income generating activities

This output aims to enhance opportunities and capacities for the low income sections of the society to engage in sustainable development. To ensure that the economic benefits from improved agriculture and livestock production are fairly distributed and local economies benefit from off-farm agro-processing, the SSDP emphasizes support the development of a range of farmer/pastoralist business and producer associations. This will assure inclusion in markets through access to finance at affordable rates and price negotiations as a means of retaining economic surpluses.

### Key activities:

1. Subcontract a firm to undertake value chain analyses on key five priority products as identified in sector growth strategy
2. Support the development of generic business development/ investment plan along the products whose value chains have been studied
3. Provide technical support to facilitate the provision of BDS along the selected and studied value chains
4. Facilitate access to finance and markets for businesses in the selected value chains

## 2.3. Support value chain analysis for selected products and business development

As stated in the SSDP, the greatest potential for initial new growth is likely to be from the small-scale private, predominantly family, agriculture and livestock sectors. The challenge for South Sudan is to shape the growth process to promote to the fullest extent possible the creation of productive, remunerative and decent employment for both men and women, particularly among the youth. A major driver of job creation will be private sector development – family farms and micro, small and medium-sized enterprises.

This component will have both urban and rural focus through which UNDP aims to enhance entrepreneurship and capacity-building of South Sudanese to engage in economic activities. In collaboration with productive sectors such as agriculture and sectors working with IDP, demobilised soldiers and youth, UNDP will work closely with the MCI&I so that the ministry will enhance the capacity of South Sudanese to engage in productive activities. Programming areas include producers' agri-business skills training and extension, entrepreneurship training programmes; SME capacity and training with the Chamber of Commerce, Industry and Agriculture (SSCCIA).

### Key Activities:

- I. Identify key strategic products for value chain analysis especially in agribusiness
- II. Support business development training, especially for the rural youth and women, to promote a culture of entrepreneurship in poor areas to build businesses (SMEs), along the value chain analysis, that create income, opportunity and economic growth for their families and communities. Such training should enable the poor to access information, tools and resources
- III. Support marketing assessments to identify promising markets for high quality products and techniques for producing those products more efficiently and profitably
- IV. Collaborate with ILO in addressing addressing legal barriers to allow access to public contracts for micro, small and medium enterprises and community-based organizations. For instance, the Ministry of Labour and Justice in Paraguay has institutionalized market access through reform of the Public Procurement Law, also securing decent work as a part of the legislation;

#### 2.4. Strengthen institutional capacity for trade policy formulation and coordinated implementation

South Sudan faces critical capacity gaps in trade policy making, implementation and management. UNDP intends to implement a trade capacity development initiative through the Enhanced Integrated Framework (EIF) for Least Developed Countries, including strengthening institutional capacity for trade policy formulation. This intervention is aimed at promoting the volume and value-added of exports, diversity export products and markets and increase foreign investment to generate jobs and exports.

Activities:

- I. Facilitating accession of the Republic of South Sudan to the Enhanced Integrated Framework (EIF)
- II. Technical review of existing work and documents and sensitization of stakeholders on the EIF process and approach, and formulation and implementation of trade policy and trade promotion services;
- III. Providing support to update South Sudan's Diagnostic Trade Integrated Studies (DTIS) and Action matrix to inform the formulation of a medium to long-term RSS Trade Policy, and the programming of South Sudan's EIF Tier I and Tier II.
- IV. Developing, updating and validating EIF Tier 1 Project Proposals
- V. Support the establishment of the 'Trade Policy Committee' with the mandate to mainstream and coordinate trade policy at the inter-ministerial and donor community level.
- VI. Support the establishment of EIF National Implementing Unit (NIU), which will provide technical support to the EIF Focal Coordinator and the Trade Policy Committee.
- VII. Facilitate resource mobilization for implementing the proposed trade capacity building activities
- VIII. Provide technical support to ensure that trade related priorities mainstreamed into SSDP implementation and formulation of full PRSP.

#### 2.5. Promote the expansion of access to finance and financial services, especially to women and youth

UNDP will work with the Bank of South Sudan (BSS) and MCI&I to enhance access to private sector financing through strengthening of the financial infrastructure in South Sudan. This support will include the development of appropriate legislation for the financial sector, including for example the Financial Institutions Bill. Other legal and regulatory framework governing the financial services sector will need to be enhanced in order to deepen financial intermediation and equitable access to credit, including through micro-credit facilities for the rural and

urban clients, especially women and youth. The South Sudan Microfinance Development Facility will also have an important role to play in the development of microfinance institutions.

Key Activities:

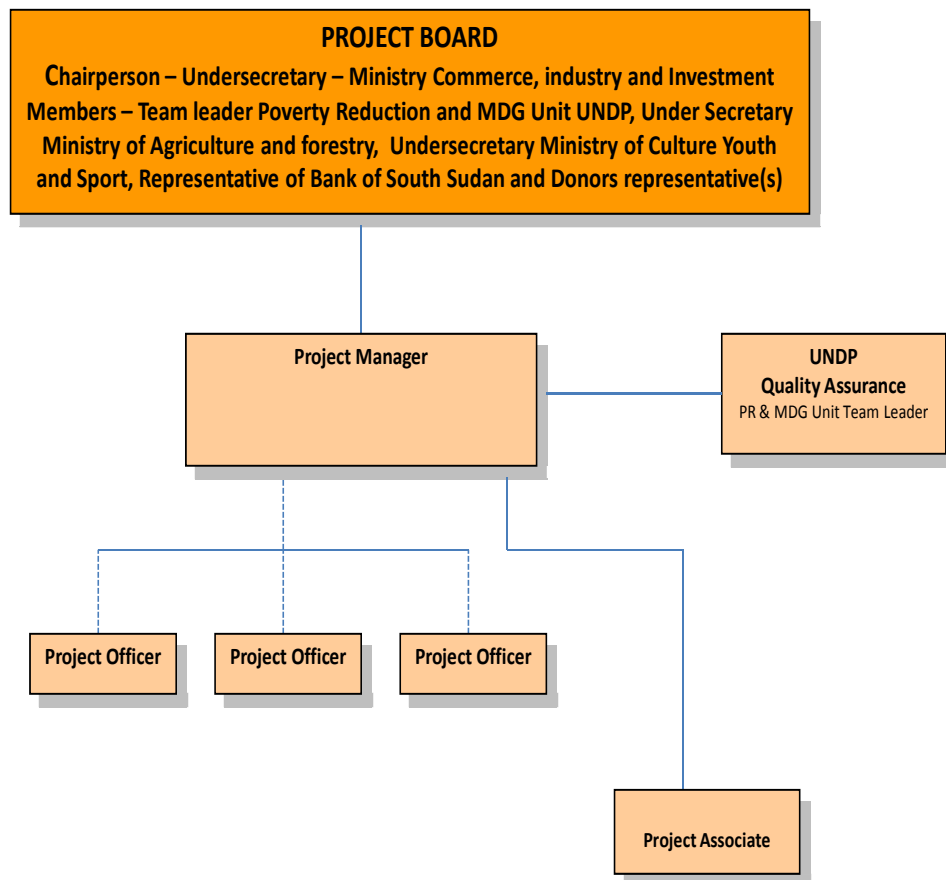
- I. Provide institutional and human capacity strengthening to the South Sudan Microfinance Development Facility (SSMDF) and other institutions involved in microfinance coordination and provision
- II. Enhance increased capacity and transparency of FSPs resulting in increased credibility of the FSPs serving in the market
- III. Enhance access to finances by Small and Medium enterprises SMEs
- IV. Enhance financial literacy in rural areas and effectively linking communities to microfinance services and marketing channels, with a particular focus on women and women-headed households
- V. Improve access to finance and financial services to producers in key growth sectors, especially to small business in agriculture and services supported under output 2
- VI. Support strengthening of regulatory framework for financial service providers
- VII. Support to development of autonomous savings and credit organizations (including support development of strategies, legal, policy and regulatory frameworks)

### 3. Management Arrangements

The project will be managed under UNDP's Direct Implementation (DIM) modality under the leadership of the Ministry of Commerce, Industry and Investment and designated Government counterparts in RoSS. The project will operate under the oversight of a Project Board chaired by the Undersecretary (Commerce) of the Ministry of Commerce, Industry, and Investment and includes the Undersecretary for Ministry of Agriculture and Forestry, representative of Bank of South Sudan, representative of South Sudan Microfinance Development Faculty Board, Undersecretary and Donor(s) representative and team Leader Poverty reduction and MDG Unit UNDP South Sudan. The Project Board is responsible for the overall direction and management of the project and has responsibility and authority for the project within the remit of the project mandate. The Project Board approves all major plans and authorises any major deviation from agreed plans. It is the authority that signs off the completion of each year of the project, as well as authorises the start of the next year. It ensures that required resources are committed, and arbitrates on any conflicts within the project, negotiating solutions to any problems between the project and external bodies. The Project Board will meet on a quarterly basis.

The Project Board is ultimately responsible for assuring that the project remains on course to deliver the desired outcome of the project as defined in the Project Document. According to the size, complexity and risk of the project, the Project Board may decide to delegate some of this Project Assurance responsibility.

# Strengthening Enabling Environment for Inclusive Growth (SEEIG)



## 4. Monitoring and Evaluations

Reporting to the Undersecretary (Commerce) Ministry of Commerce, Industry, and Investment and Chairperson of the Project Board, the Project Manager will be responsible for leading the technical support and strategic guidance to the Ministry of Commerce, Industry and Investment on development policy and regulatory framework to create enabling environment for inclusive growth benefit the people of South Sudan and lead to poverty reduction. As the project manager, will manage and provide oversight of the project officers and technical advisors within the project and ensure that the project activities are in line with the Annual Work Plan and requested support from the Ministry of Commerce, Industry and investment and other stakeholders to effectively engage in their critical in promoting inclusive growth and sustainable development.

The Strengthening Enabling Environment for Inclusive Growth falls within the Poverty Reduction and MDGs Unit and is supported by other Units within the UNDP Southern Sudan Programme, such as Operations (Procurement) and Business Management Unit (Monitoring and Evaluation and Quality Assurance in Reporting). Technical oversight and collaboration will be strengthened with the Support to States project which includes the coordination with and technical support to technical specialists within the State Ministries of Finance.

### Key government counterparts:

- Ministry of Commerce, Industry and Investment



- Ministry of Agriculture and Forestry
- Ministry of Youth, Sports and Culture
- Bank of South Sudan
- South Sudan Microfinance Development Facility

Non-government counterpart

- South Sudan Business Forum

**Staffing Structure and Cost**

- Project Manager
- Project Officers (3)
- Project Associate
- 1 Driver

## 5. Legal Context

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the SBAA and all CPAP provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document".