

## TRAC 2 2022 APPLICATION FORM

The form is designed to ensure we provide information on (a) **project objective**, (b) **expected results**, (c) **resource mobilization and activities**, and (d) **budget**.

**COUNTRY OFFICE:** SOUTH SUDAN

**TRAC 2 criteria** (please tick those that apply to your submission and state why)

Criteria	How does it apply?
Natural resource governance	
Youth and women's employment and empowerment	X
Structural transformation	X
Climate change mitigation and adaptation	
Affordable and sustainable energy	
Peace and security	

**PROJECT TITLE:** Transforming MSE development and enhancing youth and women employment and empowerment through the African Continental Free Trade Agreement

**Purpose:**

UNDP South Sudan will use the TRAC 2 funds to promote stability, economic recovery, and resilience building while initiating the adoption of transformative technologies and innovation to enhance trade promotion and regional integration through private sector development, financial inclusion, and youth and women employment and empowerment. It will pursue the realization of the following key results;

- Enhancing regional integration and trade by allowing South Sudanese MSEs to access East African Community and continental (Africa) markets;
- Development and linkage of youth and women led micro and small enterprises MSEs with sources of finance, technology, and market for sustainable livelihood and economic growth;
- Job creation and income generation through private sector development; and
- Enhancing financial inclusion and engagement in an innovative and inclusive financial ecosystem.

**Alignment with facility objectives:**

This initiative operationalizes the new UNDP Strategic Plan (2022-2025) by creating transformational change in terms of economic recovery and social development in South Sudan, while ensuring that focus is on the most vulnerable youth and women who comprised the bulk of the population so as not to leave no one behind, and treating the targeted population as active partners with inherent resilience capacities that should be capitalized and built on for transformational change.

The project also addresses two of the six strategic impact areas of UNDP's renewed Strategic Offer for Africa contributing to the aims of lifting 50 million Africans out of extreme poverty, kick-starting entrepreneurship opportunities for 100,000 youth-led businesses, and supporting stabilizations efforts to benefit over 300 million in conflict-prone regions and borderlands. The project plays a crucial role in accelerating the attainment of the SDGs ensuring its relevance and responsiveness to the country context and challenges, while taking advantage of opportunities. This initiative complements existing UNDP programmes and projects, particular on trade

promotion and mainstreaming, youth and women employment and empowerment, stabilization, recovery and resilience.

UNDP South Sudan will use TRAC 2 Funds to promote inter-African trade, enhance private sector development and create job opportunities amongst youth and women in South Sudan, where more than 53% of MSEs closed as a result of the COVID-19 pandemic and 88% of the population are living below the absolute poverty line. TRAC 2 resources will be utilized to increase private sector capacity, engagement, and benefit from the opportunities of the AfCFTA.

UNDP South Sudan will leverage TRAC 2 funds in developing new, innovative approaches and platforms to widen the local people's access to financial services, credit, and banking services critical in the growth of MSEs and in order to engage in national, regional (EAC), and continental (AfCFTA) markets. With the rate of financial inclusion in South Sudan pegged at 8.7% - the lowest among 166 surveyed for the index - this project will deploy both digital and mobile technologies in bringing financial services and credit to local communities and facilitate their engagement in a formal financial ecosystem.

This initiative is fully aligned with the South Sudan Nationally Determined Contribution (NDC) and is contributing to the country's goal of transitioning to a low-carbon economy by 2030. By promoting climate smart, low-emission agricultural approaches and technologies in the development of agricultural value chain MSEs, the project will contribute to limiting emissions from agriculture to 22.6 million tCO<sub>2</sub>e by 2030 which is 23 percent cumulative emission reduction by 2030 compared to the baseline. The project is also consistent to the South Sudan National Development Strategy (2021-2024) in terms of the achievement of goals on women and youth empowerment and employment creation. The creation of jobs from new and growth MSEs, complemented by the establishment of an innovative financing mechanism, will allow greater financial inclusion and the provide access to much needed financial resources for MSE development.

#### ***Alignment with regional priorities:***

The UNDP's Renewed Strategic Offer in Africa, or "Africa Promise", aims to "strengthen UNDP's position as Africa's premier enabler and integrator for the 2030 and the 2063 Agendas". Its goals of lifting 50 million Africans out of extreme poverty, kick-start entrepreneurship opportunities for 100,000 youth-led businesses, and support stabilizations efforts to benefit over 300 million in conflict-prone regions and borderlands are the key goal posts that this TRAC 2 project is geared towards achieving. The Regional Programme for Africa (2022-2025) constitutes the vehicle for realizing UNDP's Renewed Strategic Offer in Africa and will explicitly situate itself as a regional catalyst and incubator for people, prosperity, planet and peace. Within its priority outcome on prosperity, the Regional Programme will play a key role in contributing to supporting the implementation of UNDP's new Strategic Plan.

The African Continental Free Trade Agreement (AfCFTA) is an agreement that connects 55 countries covering about 1.3 billion people and is widely conceived to be the largest free trade area in the world. The agreement is set to address several challenges to development in Africa including trade barriers that remain high, statutory tariffs, nontariff barriers, weak and fragmented rules for promoting investment and competition, institutional challenges for customs management and the overall economic fragmentation on the continent and which are also the primary constraint on private sector development and economic recovery and growth in South Sudan. The AfCFTA offers an opportunity to promote agricultural transformation in the key value chains and improve competitiveness through cheap market access. Limited capacity by SMEs to meet international standards is a constraint to utilization of market access opportunities under the AfCFTA, as is access to credit, which is one the impediments to SMEs growth and trade in South Sudan. This TRAC 2 project will take advantage of the opportunities provided by the AfCFTA to facilitate the integration of the South Sudanese economy to the continent and global economy in order to reduce poverty and promote inclusion. By supporting implementation of the AfCFTA, 3,000 vulnerable youth women headed households will be lifted out of poverty, through the provision of support to boost productivity and job creation.

About 73% of South Sudan's population is comprised of the youth and this project will complement existing initiatives in transforming this huge untapped potential to support nation-building by spearheading economic, social and political change in the country. With low levels of financial inclusion and access, this project will make finance available to youth and women-led MSEs in order to drive private sector development, employment creation, and economic recovery.

#### **Amount requested**

The amount requested to implement this project is US\$ 1,500,000. This is broken down as follows:

Result 1: Increased Awareness and Understanding of AfCFTA Opportunities and Challenges (US\$ 75,000)

Result 2: Development of 1,500 Youth and Women-Led MSEs and Generation of 3,000 Jobs (US\$ 550,000)

Result 3: Capacity Development and Establishment of Innovative Digital and Mobile Financing Mechanism (US\$ 800,000)

Project Management, Monitoring and Evaluation: (US\$ 75,000)

**Expected results** (list expected benefits and indicators of success)

#### **Resource mobilization**

TRAC resources are expected to create the enabling environment for the implementation of the AfCFTA in South Sudan and attract additional investments that promote the development of MSEs and agricultural value chain, enhance financial inclusion and access to credit, and the generation of jobs. The activities and studies that will be produced under the project using TRAC resources will pave the way for concrete initiatives and unique but viable models on MSE development and rural economic recovery that could leverage resources from donors, IFIs, Government Cost Sharing, and the Private Sector. The following are expected resources to be targeted and mobilized through this TRAC 2 resource:

- US\$ 4 million from AfDB on financial inclusion and access to credit, specifically the establishment of the innovative financing mechanism targeted to youth and women-led MSEs;
- US\$ 1 million from EIF to expand e-commerce, job creation and SME development;

#### **Programme results**

**The main objective of this intervention is to increase private sector capacity, engagement, and market access opportunities brought by the AfCFTA.** Critical to the achievement of this objective is the development of a national strategy for the implementation of the AfCFTA that will place the issues of MSEs and youth and women-led enterprises at the centre of the strategy. With targeted support to youth and women-led SMEs in raising awareness on the challenges and benefits from AfCFTA and by filling capacity gaps that allows entry into regional and continental trade, taking advantage of opportunities will lead to growth and sustainability of MSEs in South Sudan. Developing viable value chains and building the capacity of MSEs and vulnerable youth and women in agricultural value chains, will increase productivity, economic growth, create jobs and contribute to poverty reduction. In practical terms, activities that will establish E-Commerce, implement an innovative MSE grant scheme in agricultural value chains, assist MSEs to conduct business-to-business linkages will complement activities on providing the enabling environment (legal framework review, policy issues, national strategy etc) for increased benefit from the implementation of the AfCFTA. All of these will be outlined in a national strategy for the implementation of the AfCFTA in South Sudan.

**Result 1: Increased Awareness and Understanding of AfCFTA Opportunities and Challenges**

Knowledge that will be generated through studies will be significant in informing actions that will address the challenges and exploit the opportunities for SMEs on high value commodities that South Sudan has comparative advantage on. The strategic value chains identified will banner the agricultural transformation of the country and will be supported by a strong knowledge base and strategy, as well as, the application of the latest production facilities and systems and market access support. The increased awareness and understanding of private sector partners of AfCFTA and the strategic value chains will highlight the competitiveness and potentials within South Sudan, paving the way for increased private sector investments. The following are the activities to be supported under this result:

- Organize sensitization and consultations on key AfCFTA Chapter provisions to educate the private sector including women, the youth and SMEs on the objectives and content of AfCFTA; and
- Undertake a study on (1) the potential opportunities and challenges of AfCFTA, with reference to key domestic agricultural value chains and SMEs, (2) assess potential sectors of impact for SMEs and youth contribution and benefit to/from the AfCFTA, and (3) review the legal and institutional framework relevant for the implementation of the AfCFTA;

### **Result 2: Development of 1,500 Youth and Women-Led MSEs and Generation of 3,000 jobs**

The economic growth of the country will be dependent on the youth and the private sector. The leap frogging and application of technology is crucial to private sector development not only for increasing production, but in achieving efficiency and cost-effectiveness. The 1,500 SMEs that will benefit from business development support, e-commerce, subscription to standards set under the AfCFTA, credit, etc. will drive economic revitalization in the country and are expected to provide employment opportunities to at least vulnerable 4,500 youth and women providing significant social protection to the most vulnerable. It will also spur the establishment of more SMEs thereby creating opportunities for an improved quality of life and reducing the potential for conflict which are primarily driven by youth deprived of economic opportunities. The activities below will be undertaken under this result:

- Develop viable value chains for SMEs and the youth to harness the gains of the AfCFTA;
- Mobilization, capacity-building, and provision of continuing technical support to SMEs through the conduct of business-to-business linkages, provision of business development support, business organization and management, and subscription to standards under AfCFTA; and
- Establish E-Commerce and a national one-stop hub for online business registration, business organization and linkages.

### **Result 3: Capacity Development for AfCFTA Implementation and Establishment of Innovative Digital and Mobile Financing Mechanism**

Taking cognizance of the new reality brought about by the COVID-19 pandemic, the adoption of digital and mobile platforms through the e-commerce hubs and grant financing scheme will accelerate the formalization of informal businesses and establishment of a more vibrant private sector that is anchored on viable and sustainable agricultural value chains. The establishment and/or formalization of businesses will translate to a wider tax base for the country that can raise the volume and share of non-oil revenues in the overall resource base of South Sudan. More importantly, it provides more impetus on and demonstrates the advantages of the diversification in the country's economy. With financial inclusion rates being very low due to the limited presence of formal banking and microfinance institutions, an innovative system of allowing women and youth-led SMEs at the community level to access financial and credit services and perform banking transactions using both digital and mobile technologies that links "mobile wallets" with "digital bank accounts" will be established. Under this result, the following identified activities will be undertaken:

- Develop a national strategy for the implementation of the AfCFTA; and
- Establish and implement an innovative SME grant scheme using digital and mobile technologies linking "mobile wallets" with "digital bank accounts" for key strategic agricultural value chains.

## Other benefits

Supporting the implementation of the AfCFTA in South Sudan through private sector development, job creation, expanding financial inclusion and access to credit will directly and positively impact at least 7 SDGs, some of the direct SDG co-benefits includes: SDG1 – Generate additional income; SDG2 - increase in agriculture production/crop yields; SDG5 – help advance on gender equality by creating opportunities for women through MSE development; SDG8 - By creating jobs and supporting businesses to thrive and generate more employment; SDG9 - Enabling access to innovative financing mechanism using digital and mobile technology; SDG 10 – Reducing the gap between the “haves” and “have nots” thru the development of vulnerable population and supporting them have an income; and SDG17- Governments, investors, funders and businesses working together to promote the national adoption of the AfCFTA through national (and local) private sector development and economic recovery.

## Indicators of success

Resource Mob. Indicator	Amount of resources mobilized based on the National Plan for the implementation of the AfCFTA and established private sector development model
Baseline	0
Target	US\$ 3 million
Source of data	Project report
Timeline for target	12 months

Programme Indicator	Number of studies and plan on AfCFTA published
Baseline	0
Target	2 (1 study and 1 plan)
Source of data	MoTI report and actual study and plan
Timeline for target	12 months

Programme Indicator	Number of SMEs established and supported
Baseline	0
Target	1,500
Source of data	UNDP and MoTI reports
Timeline for target	12 months

Programme Indicator	Number of jobs generated through placement and SME development
Baseline	2,802
Target	3,000
Source of data	MoTI and MoL reports
Timeline for target	12 months

Programme Indicator	Number of e-commerce hub established
Baseline	0
Target	1
Source of data	MoTI reports

Timeline for target	3 months
---------------------	----------

Programme Indicator	Number of innovative financing mechanism established
Baseline	0
Target	1
Source of data	MoTI and MoYS reports
Timeline for target	12 months

## Implementation

ACTIVITY		BUDGET (USD)	TIMELINE
<b>Result 1: Increased Awareness and Understanding of AfCFTA Opportunities and Challenges</b>			
1.1	Sensitization and consultations on key AfCFTA Chapter provisions and potential opportunities on AfCFTA of agricultural value chains.	\$25,000	April-June 2022
1.2	Conduct of study covering (1) the potential opportunities and challenges of AfCFTA, with reference to key domestic agricultural value chains and SMEs, (2) assessment of potential sectors of impact for SMEs and youth contribution and benefit to/from the AfCFTA, and (3) review of legal and institutional framework relevant for the implementation of the AfCFTA	\$50,000	April-June 2022
<b>Result 2: Development of 1,500 Youth and Women-Led MSEs and Generation of 3,000 jobs</b>			
2.1	Mobilization, capacity-building, and provision of continuing technical support on business organization and development, subscription to standards and market access under AfCFTA, and E-Commerce skills development for SMEs	\$500,000	May 2022- April 2023
2.2	Establishment and operation of national one-stop hub on e-commerce	\$50,000	May 2022- March 2023
<b>Result 3: Capacity Development for AfCFTA Implementation and Establishment of Innovative Digital and Mobile Financing Mechanism</b>			
3.1	Development of a national strategy for the implementation of the AfCFTA	\$50,000	July-Oct. 2022
3.2	Establishment and operation of digital and mobile MSEs Financing Mechanism	\$750,000	May 2022 – March 2023
	Project Management, Monitoring and Evaluation	75,000	April 2022 - March 2023

## Key partners

Partner	Role description
---------	------------------

African Development Bank	Partner in the implementation of the AfCFTA and in the administration of the innovative MSE financing mechanism.
Office of the Vice President	Overall coordination and political leadership in the implementation of the employment and private.
Ministry of Trade and Industry	Technical lead on the AfCFTA and MSE development. Hosts the e-commerce hub.
Ministry of Youth and Sports	Policy and coordination lead in the implementation of youth employment and empowerment initiatives, particularly in the setting-up of the innovative MSE Financing Mechanism.
Ministry of Labour	Operational support towards employment generation.
State Governments	Provision of support in the mobilization of vulnerable population and provision of MSE support.
Chamber of Commerce	Technical support provider on MSE development and business development support. Partner in the e-commerce hub.

### Risks

Risks	Suggested mitigation measures
a) Key stakeholders i.e. the youth entrepreneurs and SMEs meant to participate show no interest to the project.	This risk will be managed by engaging them in all facets of project implementation. The project management team will have regular visits to project sites of the targeted project beneficiaries and will conduct regular dialogues with them on the objectives of the project. The likelihood of this risk is low and so is its potential impact.
b) There may be political risk of non-cooperation by government stakeholders.	This risk will be managed by engaging them as intrinsic stakeholders of the project. The project management team will have regular dialogues with them through established consultative mechanism to ensure national ownership. In addition, given that the project is based on recommendations of the Trade Policy Framework and supports Economic Cluster of National Development Strategy the likelihood of this risk is low.

### Signed by

Name	Title	Signature	Date
Samuel Doe, PHD	Resident Representative UNDP		01-04-2022