

4 July 2019

Prepared by: RDGE/PIFD/COSS/PGCL

Original: English

BOARD APPROVAL
Lapse-of-time Procedure

17 July 2019

FOR CONSIDERATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : MULTINATIONAL – EAST AFRICAN COMMUNITY PAYMENT
AND SETTLEMENT SYSTEMS INTEGRATION PROJECT (EAC-
PSSIP) - SOUTH SUDAN*

TSE PILLAR 1 GRANT OF UA 1.9 MILLION

ADF-14 REGIONAL OPERATIONS GRANT OF UA 2.9 MILLION

Please find attached the **Grant Proposals** and the draft **Resolutions** related to the above-mentioned project, which are submitted for **your consideration on a Lapse-of-time Basis**.

If no objection is recorded by 5:00 p.m. on 17 July 2019, the grant Proposals will be considered as **approved** and the Resolutions **adopted**.

Attach.

Cc.: The President

*Questions on this document should be referred to:

Mr. G. NEGATU	Director General	RDGE	Extension 8232
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Mr. H. IMAN	Regional Manager	RDGE.3	Extension 8117
Mr. B. KANU	Country Manager	COSS	Extension 8112
Ms. A. M. MECCA	Division Manager	PGCL.1	Extension 3309
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AFRICAN DEVELOPMENT BANK GROUP



PROJECT: MULTINATIONAL – EAST AFRICAN COMMUNITY PAYMENT AND SETTLEMENT SYSTEMS INTEGRATION PROJECT (EAC-PSSIP) - SOUTH SUDAN

COUNTRIES: Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan.

PROJECT APPRAISAL REPORT

June 2019

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AFRICAN DEVELOPMENT BANK GROUP



MULTINATIONAL

EAST AFRICAN COMMUNITY PAYMENT AND SETTLEMENT SYSTEMS INTEGRATION PROJECT (EAC-PSSIP) - SOUTH SUDAN

PROJECT APPRAISAL REPORT

RDGE/PIFD/COSS/PGCL

July 2019

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Currency Equivalents
June 2019

1 UA =	139.64	Kenya Shillings (Kshs)
1 UA =	5,156.78	Uganda Shillings (Shs)
1 UA =	3,163.19	Tanzania Shillings (TZS)
1 UA =	2,541.47	Burundi Francs (BF)
1 UA =	1,234.63	Rwanda Francs (FRW)
1 UA =	217.45	South Sudanese Pound (SSP)

Financial Year

January 01 to December 31

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogram (kg)	=	2200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ACH	Automated Clearing House
ACP	Automated Cheque Processing
ADB or Bank	African Development Bank
ADF or Fund	African Development Fund
BIS	Bank for International Settlements
BSS	Bank of South Sudan
CB	Central Bank
CPSS	BIS Committee on Payment and Settlement Systems (now CPMI)
CPMI	BIS Committee on Payments and Market Infrastructures
CSP	Country Strategy Paper
DNS	Deferred Net Settlement
EAC	East African Community
EACJ	East African Court of Justice
EALA	East Africa Legislative Assembly
EAC-PSSIP	EAC Payment and Settlement Systems Integration Project
EAPS	East African Payment System
EAC-CPT	EAC Core Project Team
EFT	Electronic Funds Transfer
GDP	Gross Domestic Product
IMF	International Monetary Fund
IOSCO	International Organization of Securities commissions
LAN	Local Area Network
LIC	Limited International Competition
MAN	Metropolitan Area Network
MAC	Monetary Affairs Committee
MFI	Microfinance Institution
Mobile Money	Mobile (cell phone) money transfer
MOU	Memorandum of Understanding
NCB	National Competitive Bidding
NPSC	National Payment System Committee
OMO	Open Market Operations
PIU	Project Implementation Unit
PCR	Project Completion Report
PFMI	BIS CPSS Principles for Financial Market Infrastructures
PMU	Project Management Unit
PSPs	Payment Service Providers
RISP	Regional Integration Strategy Paper
RPGs	Regional Public Goods
RSS	Republic of South Sudan
RTGS	Real Time Gross Settlement
SBD	Standard Bidding Documents
SWICH	Computer system for the management of cards (ATM/POS)
TSF	Transition States Fund
UA	Unit of Account
WB	World Bank

GRANT INFORMATION

Client's information

RECIPIENT: Republic of South Sudan

EXECUTING AGENCY: EAC Secretariat

Financing plan

Source	Amount (million UA)	Instrument
TSF Pillar I	1.9	Grant
ADF 14 Regional Operations	2.9	Grant
BSS/ Commercial Banks	1.60	Counterpart
TOTAL COST	6.4	

ADF's key financing information

Currency

TSF Pillar I	Unit of Account (UA)
ADF 14 Regional Operations	Unit of Account (UA)

Timeframe - Main Milestones (expected)

Concept Note Approval	April 2019
Project Approval	July 2019
Effectiveness	August 2019
Completion Date	December 2022
Last Disbursement	June 2023
Last Repayment	N/A

Executive Summary

Project Overview	<p><u>Program Name/Number:</u> EAC Payment and Settlement Systems Integration Project; (EAC-PSSIP); Grant for South Sudan; P-Z1-HZO-038.</p> <p><u>Geographic Scope:</u> The following six (6) countries constituting the “East African Community” (EAC): Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan.</p> <p><u>Overall Timeframe:</u> August 2019 to December 2022</p> <p><u>Grant Amount:</u> UA 4.8 million (USD 6.6 million equivalent) Contribution from TSF Pillar I Grant: UA 1.9 million ADF 14 Regional Operations: UA 2.9 million.</p>
Project Description	<p>The primary objective of the project is to modernize the payment systems in South Sudan in order to enhance the performance of their financial systems and promote regional integration. In this regard, the project will assist the South Sudan to develop and harmonize the payment systems with other in the five member countries of EAC community, thereby facilitating the process leading up to the launch of a monetary union in the Zone and stimulate increased economic and trade relations in the region. The improvement of the payment systems in South Sudan would also meet important national objectives. For South Sudan, the development of RTGS and the other components of the project will improve the efficiency of financial intermediation, enhance the management of systemic risks, and improve liquidity management, monetary policy implementation, and the general deepening of their financial sector. At the time the EAC-Payment and Settlement Systems Integration Project (EAC-PISSP) was designed in 2012, the South Sudan was not a member of the EAC. South Sudan was admitted as a full Member of the EAC on 1st October 2016, the proposed project aims to extend the implementation of the EAC-PSSIP to the country. The project components are; Institutional framework development and capacity building; Strengthening of payments systems infrastructure and Infrastructure Upgrade; and Project Management. In the case of South Sudan, because it is a transitional state, the Central Bank requires more support in developing the institutional framework and legal and regulatory details.</p>
Needs Assessment	<p>Improvement of the payments system, is one of the top priorities of the six (6) EAC Partner States namely: Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan. Four (4) of them; Kenya, Rwanda, Tanzania, and Uganda – have relatively modern financial systems, but they are at different levels of efficiency and enjoying substantial benefits. For example, in Uganda cheques can be cleared within 24 hours. All four countries have had their Payment system infrastructure modernized and laws and rules updated. The ongoing project’s implementation is smooth, apart from initial start-up delays plus the challenges of political instability in Burundi. There is strong support from member countries which is evidenced by the contribution from Central Banks. The commercial banks in the respective countries have made their counterpart contributions. By supporting South Sudan EAC’s newest Partner State to be part of the EAC-PSSIP, the Bank would enable the country to enjoy the benefits of the Regional Public Goods (RPGs) that the project is creating. Participation in the East African Payment System (EAPS) is a requirement for membership, and implementation of a functional and interoperable RTGS system is necessary for participation in the EAPS. Further, by improving and standardizing the payments system in South Sudan with funding from the Transitional Support Facility of UA 1.9 million and access the Regional resource envelope of up to UA 2.9 million, the Bank will help to improve the country’s general economic efficiency, by increasing the use of non-cash instruments as mediums of settling transactions, and by enhancing South Sudan’s confidence in the banking system.</p>

Bank's Added Value	<p>As with the EAC-PSSIP project which is support the five other EAC countries, the Bank will continue bringing to bear its cumulative experience in the implementation of payment systems, and mutual trust with the authorities of the Central Bank in South Sudan as it has done with the other five EAC countries, and with the EAC Secretariat. Furthermore, it is line with the Bank's mandate to build institutional and human capacity in countries in transition like South Sudan, where payment systems are either weak or non-existent. Through the project, the Bank will add significant value to South Sudan economy by improving the performance and competitiveness of the financial sector and linking the country to the EAC countries. The project's investment will include upgrades to the payment system in terms of hardware and software and a complete overhaul of the management, governance, processes and procedures to identify and manage financial, operational and business risks. This will contribute to ensuring business continuity and a high level of security and full international connectivity.</p> <p>The modernization of the payment systems infrastructure by acquiring an automated transfer system (ATS) – a modern hybrid system that provides both Real-Time Gross Settlement (RTGS) and Automated Clearing House (ACH) functionality within a single application platform – to replace the current manual checking system will allow for a safer and more efficient processing of interbank payments and can be leveraged for the migration of government payments; this is critical to link South Sudan to EAPS. The project's technical assistance will support the Central Bank to establish a Unit responsible for oversight of the payment system. It will also provide training and skills improvement. Through the on-going project, the Bank will provide capacity building to support the Central Bank to prepare them to manage the project, while building their staff skills and restructuring the BSS to improve its governance and process efficiency as a payment system operator and thus its ability to connect to EAPS.</p>
Institutional Development and Knowledge Building	<p>To enhance knowledge about the financial sector developmental challenges and priorities, the Bank will intensify dialogue with the Central Banks of the six countries, and with the EAC Secretariat throughout the implementation of the project. Lessons learned will inform the Bank Group's advisory services for financial sector work across the continent as well as lead to a better design of future Bank projects regarding payment systems development. The Bank will continue to document the lessons learned and disseminate the results Bank-wide through a variety of channels, including seminars and newsletters.</p>

Results Based Framework

Country and Project Name: Multinational – East African Community (EAC) Payment and Settlement Systems Integration Project (PSSIP); South Sudan						
Purpose of the project: Improvement of the basic financial sector in the EAC Partner States through development and upgrade of payment systems						
RESULT CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATIONS	RISKS/MITIGATION MEASURES
		Indicators (including CSI)	Baseline	Target		
Impact	Increased Financial inclusion, increased trade and deeper financial sector integration in EAC region	i) Level of financial depth as measured by number of people accessing financial services	(i) 2.5% (2019) (EAC)	(i) 12% (2022) of which at least 20% will be women.	EAC economic surveillance reports	Risk: Political and economic instability in South Sudan. Mitigation: South Sudan Government and opposition have expressed commitment to peace as shown by signing of the revitalised peace agreement in September 2018. Govt commitment to full implementation of economic and monetary integration, incl. related policy, regulatory and institutional reforms. Risk: Poor infrastructure in South Sudan specifically power, telecom and internet. Mitigation: The project will provide standby generator and government has started the process of connecting internet and power from Uganda Risk: Low capacity at the BSS and other stakeholders. Mitigation: The project is providing capacity building to cover most gaps.
		ii) share of intra-regional trade to total trade among EAC countries iii) % of population accessing financial services in RSS iv) Percentage of women accessing financial services and increase in trade in the EAC Region from South Sudan.	(ii) No data for South Sudan (iii) 1.8% (2017) (iv) 25% (average) No data for South Sudan	(ii) 15% by 2022 (iii) 65% by 2022 iv) 15% by 2022 and least 30% women	Swift intelligence report. EAC monetary committee reports Project progress report compiled from South Sudan	
Outcomes	1. Improved and integrated Regional payment and settlement systems and improved efficiency of funds transfer across the six EAC countries. 2. Adequate and harmonised legislation and policy supporting payment and settlement systems 3. Increased penetration of financial services	1. Growth in interbank fund transfers 2. Adequate legislative support and harmonised rules and regulations for payment settlement systems. 3. number of individuals with accounts in banks or with access to digital/mobile operators connected in South Sudan 4. Number of women with transaction accounts both banks accounts and mobile wallets in South Sudan	Project Area (Baseline: 2019) The volume of high value funds transfers in the six EAC countries in 2019 was 340 billion. Process of harmonising payments and settlements systems rules and regulations are under formulation in 5 EAC countries excluding RSS	Project Area (Targets by 2022) The volume of high value funds transfer in the six EAC countries in 2022 should grow to USD 420 billion Promulgated legislative support for South Sudan National Payment systems. CSD laws, ACH by 2021 Harmonised rules and regulations for RTGS and NPS approved by MC and promulgated by the EAC by 2022	Progress reports from NCB and EAC. Structured promulgation by EAC assembly	Risk.1: Failure to reach full functionality of the integrated systems if the new systems are not fully implemented at National levels especially in South Sudan. Mitigations: The technology selected has been tested in other countries successfully Risk 2. Lack of commitment from Commercial Banks. Mitigation: Banks have contributed to the on-going project and in South Sudan they are keenly participating. The South Sudan Bankers association will take the lead in ensuring compliance.

Outputs	<p>3. Component 1: Institutional Building and capacity building: Sub-components:</p> <p>3.1 Payment system Depart Set up in RSS</p> <p>3.2 TA and training of RSS staff and stakeholders including women</p> <p>3.3 Drafting and adoption of regulations and laws for NPS.</p> <p>3.4 Judicial capacity in PSS</p> <p>3.5 Publicity and sensitisation of the population is south Sudan.</p>	3.1. Department established	<p><u>Project Area (Baseline: 2019)</u> BSS has no dedicated UNIT to provide oversight for payments in the country.</p> <p>Limited expertise in PSS in South Sudan</p> <p>No judges familiar with payments in South Sudan No national legislation for PSS in South Sudan</p> <p>Number of publicity campaigns conducted including women in business.</p> <p>Only 4 countries connected to EAPS</p> <p>South Sudan has no RTGS and payments are manual No connectivity between BSS and commercial Banks and reliable power supply</p>	<p><u>Project Area (Target Year 2022)</u> All established by 2022</p> <p>Raise levels of expertise training at 10 staff from BSS and at least 4 should be women. Training of at least 4 judges and officers by 2022</p> <p>Legislation enacted</p> <p>All six countries having implemented and connected to EAPS including South Sudan (2022)</p> <p>RSS/BSS acquire and implement ATS and RTGS (2021) LAN connectivity and reliable power established at BSS</p> <p>EAC/PIU covering RSS activities BSS has a dedicated unit to coordinate project activities (2022) M&E system for RSS/BSS operational (2022) Progress report and audit report including RSS/BSS activities.</p>	<p>Quarterly reports from EAC Secretariat. Depart of NPS established in BSS</p> <p>Reports from EAC</p>	<p>Risk: Central Bank of RSS lack of commitment to the proposed structure. Mitigation: Study tour will be provided to BSS staff visit other NCB for peer learning and exchanges on the benefits of proposed structure. Risk: Failure to recruitment and retention of staff. Access to appropriate training: Mitigation; BSS has initiated recruitment of staff and the project has designed a training program that is appropriate.</p> <p>Risk; Technical solution may not be sustained.</p> <p>Mitigation: technology will be based on experience in other operations</p> <p>Risk: Cost of supporting infrastructure, prohibitive. Mitigation: Telcos to build the LAN connectivity and RSS in the process of importing power from neighbouring countries.</p> <p>Risk; The sustainability of created institutions / Correct application of the legislations approved. Mitigation; The project has designed an aggressive sensitisation program</p>
	<p><u>4. Component 2: Infrastructure Development.</u></p> <p>4.1 Acquisition of ATS</p> <p>4.2 Implementation and integration of RTGS</p> <p>4.3. Develop LAN connectivity and reliable power supply</p> <p>4.4. Interoperable mobile payment switch.</p> <p><u>5. Component 3: Project Management</u></p> <p>5.1 EAC PIU prepares to support BSS</p> <p>5.2 M & E established</p> <p>5.3 Unit BSS coordinate project activity</p>	<p>3.4. Drafting of legislation for payment systems and rules for settlement.</p> <p>3.5 (i) Number of sensitisation programs conducted in south Sudan. (ii) Number of women included in focal groups as part of the sensitisation program.</p> <p>4.1 Number of EAC countries with inter-operable and integrated RTGS including South Sudan</p> <p>4.2 Technological platform to support regional integration</p> <p>4.2. connectivity btn BSS and commercial Banks and uninterrupted power supply</p> <p>5.1 progress reports and audits prepared on time covering all 6 countries including RSS</p> <p>5.2 BSS established unit to coordinate with EAC/PIU</p>	<p>EAC /PIU exists and operational (2019) M&E and Audits reports submitted for 5 countries No reports on South Sudan/BSS (2019) BSS team (NIL) 2019</p>			

INPUT Key Activities	Component 1: Institutional framework and capacity building Component 2: Strengthening of payments systems Infrastructure Sub-components 2.1 ATS Implementation 2.2 Infrastructure upgrade Component 3: Project Management	Component 1 – USD 1.74 million ¹ Component 2 – USD 5.40 million ² Component 3 – USD 1.16 million TOTAL USD 6.66 million
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¹ Funded under the ongoing project

² Including contingencies

PROJECT IMPLEMENTATION SCHEDULE

Multinational: The East African Community Payments System Integration and financial inclusion Project Support Republic of South Sudan (RSS); Project Timeframe

			Expected Completion Time																			
			2019				2020				2021				2022				2023			
			1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
		Project Identification & Appraisal																				
		Grant Protocol Signature & Effectiveness																				
No.	Component																					
1	TA Payment System	Preparation of TOR and Bank approval																				
		Receipt of Proposal, evaluation and negotiation																				
		Bank Review and approval																				
		Award of Contract																				
		Commencement and implement the Assignment																				
2	VASF	Update NPS stocktaking report																				
		Develop Vision and Strategic Framework																				
3	Capacity Building	Training and skills improvement																				
		Carry out Study Visits to other Central Banks																				
4	TA Legal Framework	Preparation of TOR and Bank approval																				
		Receipt of Proposal, evaluation and negotiation																				
		Bank Review and approval																				
		Award of Contract																				
		Commencement and implement the Assignment																				
5	ATS	Review specifications & finalize bidding docs																				
		Bids invitation, receipt, & evaluation																				
		Negotiations & award of contract																				
		Implementation																				
6	Banking Application SSSS	Review of specifications & finalize bidding docs																				
		Invitation for bids, receipt of bids																				
		Bids evaluation, negotiations & contract award																				
		Implementation																				
7	Infrastructure Development	Design and preparation of bidding documents																				
		Bids invitation, receipt, & evaluation																				
		Negotiations and award of Contracts																				
		Implementation																				

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADF AND ADB TO THE BOARD OF DIRECTORS ON PROPOSED TSF-PILLAR I AND ADF 14 REGIONAL OPERATIONS GRANTS TO THE REPUBLIC OF SOUTH SUDAN TO SUPPORT SOUTH SUDAN TO BE INCLUDED IN THE EAC-PSSIP

Management submits the following report and recommendation on a proposed Regional Operations Envelope of ADF-14 not exceeding UA 2.9 million and TSF Pillar I not exceeding UA 1.9 million as grant resources to support the South Sudan to be included in the East African Community Payment and Settlement Systems Integration Project (EAC-PSSIP).

I STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1. **The proposed project is well aligned with the ADB Strategies including:** (i) the Bank Group's Regional Integration Strategic Framework (RISF, 2018-2025), under the pillar for financial integration, and is prioritized in the Eastern Africa Regional Integration Strategy Paper (EA-RISP, 2018-2022) indicative operational pipeline (IOP). The on-going EAC-Payment and Settlement Systems Integration Project (EAC-PSSIP) and support to South Sudan is also closely aligned with the 4th EAC Development Strategy (2011/12-2015/16) and the EAC Common Market Protocol, which emphasizes trade facilitation, establishment of a single market in financial services, establishment of EAC Monetary Union, and infrastructure connectivity into regional development initiatives, amongst others; (ii) the project fits in the Bank's Ten Year Strategy (TYS), 2013-2022, particularly its inclusive growth objective and private sector development core priority; (iii) the ultimate objective is in line with the Industrialize Africa, which is one of the Bank Group's High-5 institutional priorities; and (iv) it is aligned to the Bank's Financial Sector Development Strategy (2014-19)--the financial inclusion pillar. The proposed operation is also consistent with the Bank's updated extended Interim Country (I-CSP), 2012-2018 to December 2021 which focuses on state building through capacity building and infrastructure development. Furthermore, the proposed project is aligned to the priorities South Sudan National Development Strategy 2018-2021, which underscores the need to restore and maintain economic infrastructure.

1.1.2. The EAC Partner States identified the integration of their payments and settlement systems as a priority in order to create a sound foundation that will ensure that payment obligations throughout the EAC are settled effectively and with finality. In 2012, at the request of the EAC, the African Development Fund's (ADF) Board of Directors approved an ADF grant of UA 15 million to finance the EAC Payment and Settlement Systems Integration Project, (EAC-PSSIP) which is still under implementation. At the time of approval, EAC countries were: Burundi, Kenya, Rwanda, Tanzania and Uganda. South Sudan (RSS) was admitted as a full member of the EAC on October 1st, 2016 and became the 6th Partner State of the EAC. Subsequently, the EAC's Executive Committee requested the ADB to support South Sudan to be part of the EAC-PSSIP. The ongoing project is developing a robust environment for both, wholesale and settlement systems, it will facilitate market integration as well as establish an infrastructure that is sound, efficient and compatible at the regional level. In addition, the project is aimed at addressing weaknesses in legal and regulatory arrangements in banking, payment and settlement systems. The project will provide capacity building in the area of payment and settlement systems at both the national and regional level.

1.2 Rationale for Bank's Involvement.

1.2.1. According to the IMF Article IV Staff Report of March 2019, the banking sector is facing significant challenges because of the civil conflict, high inflation, and strong currency depreciation. The Domestic Banks are heavily undercapitalized and non-performing loans are rising rapidly. In South Sudan Connectivity remains problematic, especially between major cities and clearing and interbank payments remain weak.

1.2.2. The South Sudan's economy functions mainly on a cash basis, with very low usage of cheques. Banks are the main providers of payment services, currently banks are the main providers of payment services in South Sudan. Twenty-nine commercial banks are licensed to operate, six of which are foreign-owned. The indigenous banks are mainly one-branch operations whose main business is foreign exchange trading. Regulations have been drafted and it is envisaged that mobile payment and banking services will be launched by several banks as soon as the regulatory framework is in place.

1.2.3. A few commercial banks have introduced ATMs and, on a smaller scale, POS terminals. The card infrastructure for each bank is proprietary, so that the debit cards can only be used at the issuing banks' terminals. About 80 machines have been installed, nearly all of these within the capital, Juba. The use of payment cards is hampered by the lack of outreach of individual banking networks, the lack of interoperability across the card networks and the limited availability of POS networks to facilitate merchant payments. As a result the card infrastructure is underutilized, operating costs are high and customers are denied the convenience of accessing an expanded network of ATMs. There are several drivers for the modernization of the NPS, to better manage and reduce risk and also enhance efficiency. These emanate from within and outside the banking industry and from the private and public sectors:

1. There are significant risks and costs associated with the use of cash and checks, particularly for large payments.
2. The banking industry needs cost-effective ways to process payments, expand the customer base and increase profitability;
3. Well-functioning payment and settlement systems are necessary to support the Bank's mandate for financial stability;
4. Development of financial markets requires safe and efficient funds and securities transfer systems, and these markets are essential for economic development and for the efficient implementation of monetary policy;
5. The authorities' interest in achieving financial inclusion with all geographic regions and income groups having access to electronic banking and payment channels;
6. The need to attract foreign investment to rebuild the country;
7. The authorities are committed to achieving regional integration within the EAC.

Underpinning these aims is the need for an improved information and communication technology (ICT) infrastructure and investment by banks and other payment service providers in modern banking systems and account management processes.

1.2.4. The BSS has recognized that there are significant risks in implementing the different components of infrastructure in an ad-hoc manner and has resolved to adopt a more strategic and collaborative approach to National Payments System (NPS) development. To this end the BSS with support from IMF took the lead role in formulating the vision and in identifying and implementing suitable strategies. In addition, as a full member of the EAC since 2016, South Sudan now faces the obligations of integration with the East African Payment System (EAPS) and its successor, EAPS2. Implementation and operation of a Real Time Gross Settlement (RTGS) system is a requirement for participation in EAPS, which is intended to facilitate and promote intra-EAC trade. Connectivity remains problematic, especially between major cities and clearing and interbank payments remain weak.

1.2.5. This proposed project is considered a Regional Public Good (RPG) as it will yield direct utility by accelerating the convergence and regional integration of payment and settlement systems. The project, which was selected by OpsCom during the April 2019 selection and prioritization exercise for ROs, will support the RSS by modernizing payment infrastructure, strengthen commercial activities in the country and within the region by contributing to more secure, efficient, safe and timely transfer of funds stimulating trade in goods and services and the free

movement of capital within the region. Furthermore, ability of South Sudan to connect to the Regional payment platform which was developed under the EAC-PSSIP project will provide and encourage more people in the country and the region to enter the formal banking system to undertake retail funds transfers.

1.2.6. The proposed project is designed to promote financial inclusion and the harmonization of the payment systems will result in the following: (i) Reduce costs and enhance the efficiency of cross border funds transfer to facilitate regional trade and augment the conduct of regional monetary policy across the sub-region; (ii) Assist in reducing systemic risks and enhance the ability of the central bank to monitor and supervise commercial banks; and (iii) Improve the efficiency of financial intermediation towards increased financial integration and trade relations as well as increased private investment in the EAC partner states including South Sudan. Moreover, migration of government payments to digital platforms and an increased level of automation will promote efficiency, increase transparency, reduce costs and encourage the usage of formal financial services. This will result in an increase in the usage of electronic payments in the country, and a consequent increase in the volume of transactions in the card system and the planned ATS, and will contribute to the delivery of the government's e-governance strategy.

1.2.7. The capacity building component will entail review of the legal framework in line with international standards with a view to covering electronic payments and transactions, enabling the provision of innovative payment services such as mobile payments, development of agent networks, and in general ensure a high level of safety, efficiency, and transparency and consumer protection. Furthermore, capacity-building efforts to restore basic banking and payment system functions in post-conflict countries such as South Sudan, is an agenda that is strongly supported by development partners, including the International Monetary Fund (IMF) through its technical assistance program. Since 2012, the Bank in collaboration with the World Bank, has been promoting the growth and economic integration of the EAC by upgrading basic payments system infrastructure in five EAC member countries: Burundi, Kenya, Rwanda, Tanzania and Uganda. The ADB's implementation progress to date and results report dated April 2019 rates the degree of achievement of development outcomes under the project as very good and projections indicate that it will be better. A similar conclusion is evident from the World Bank's own project which is almost complete. The inclusion of South Sudan is timely in terms capacity building and institutional framework.

1.2.8. Given the weakness of the financial infrastructure in South Sudan Bank Group involvement in the proposed project is therefore rationalized in many ways. First, the modernisation of the payment system will add great value to the current domestic payment system, enhance competitiveness of the banking sector, and boost financial inclusion.

1.2.9. The Bank's involvement in the project will catalyze the process of EAC monetary union coming into being and the eventual introduction of a regional single currency through the provision of resources to finance a harmonized payments system. The proposed project is therefore of broad public interest and benefit.

1.3 Progress made on the on-going Project (EAC-PSSIP)

1.3.1 To date, the EAC region comprises six Partner States (Kenya, Tanzania, Rwanda, Burundi, Uganda and Republic of South Sudan) that currently maintain mixed levels of payment systems automation and standards with implications for the ability to integrate the payment and settlement systems at a regional level. The EAC-PSSIP project supported the modernization and upgrade of RTGS systems in Tanzania, Kenya, Uganda, Rwanda and Burundi and these countries have started the process of integrating their RTGS systems. The on-going project has also supported the establishment and update of the NPS legislation and regulations which need to be consistent in order to establish an integrated regional payments system. The harmonization of laws and regulations is on-going to ensure smooth operations across the EAC countries. To date the project has committed up to 92% of the funds approved, comprising on-going contracts and other capacity building activities.

Summary of achievements are as follows:

- (i) Well-functioning and integrated Real Time Gross Settlement (RTGS) systems with SWIFT connectivity;
- (ii) Automated clearing systems that accommodate cheque truncation and ATM/POS reciprocity for retail payment and settlement systems;
- (iii) Central Securities Depositories (CSD) and Core Banking Platforms in Uganda, Rwanda, Kenya, Tanzania and Burundi
- (iv) Operational business continuity and disaster recovery platforms;
- (v) Harmonized national and regional legislation; regulations and policies that support payment and settlement systems in order to protect payment flows within the EAC region. The consultant is still in the field and consultations are progressing very well. The final validation of the report was conducted in Dar Es Salaam from 22nd – 24th May 2019 and
- (vi) Improved skills to support specific areas of payment and settlement systems for National Central Banks, Commercial Banks, Judges, Judicial Officers and other stakeholders and regulators.

1.4 Development Partner (DP) Coordination

1.4.1 The proposed intervention in South Sudan is to be part of the on-going project, EAC-PSSIP, which is an integral part of the objective of the EAC Financial Sector Development and Regionalization Project (EAC-FSDRP) and is being funded by World Bank. The overarching objective of the EAC-FSDRP is to establish a single market for financial services among EAC Partner States. The EAC-FSDRP seeks to build the foundation for financial sector integration among EAC Partner States with a focus on the following six pillars: (i) Financial Inclusion and Strengthening of Market Participation; (ii) Harmonization of Financial Laws and Regulations Against Common Standards; (iii) Mutual Recognition of Supervisory Agencies; (iv) Integration of Financial market Infrastructure; (v) Development of the Regional Bond Market; and (vi) Capacity Building.

1.4.2 The EAC-PSSIP being an integral part of the objectives of the EAC-FSDRP, is aimed at complementing the integration of the regional financial market infrastructure to facilitate the undertaking of cross border funds transfers in support of the economies of the EAC region, together with providing outreach to rural areas, to encourage greater participation in the formal financial sector. The Bank's support for the proposed and on-going project is focused on the provision of funding in pillars 2, 4, and 6, of the EAC-FSDRP where it is felt, and agreed with development partners and EAC countries, that strengthening of these component areas would be the most beneficial for overall progression of the payment and settlement systems (PSS) in the EAC under Phase I (2011-2014) of the EAC-FSDRP. During implementation of the on-going project all donor activities were coordinated by the EAC Secretariat. This strengthened client ownership of the project.

1.4.3 An IMF Article IV mission visited South Sudan in March 2019 to discuss the urgent need to restore macroeconomic stability and rebuild economic buffers. IMF with DFID grant support provided high-intensity technical assistance (TA); and a five-year capacity development program was launched in 2012. The TA program focused on; public financial management (PFM) and petroleum revenue management, tax administration and tax policy, macroeconomic frameworks, monetary and foreign exchange operations , banking supervision , payment systems and statistics. The payment systems component entailed conducting a stocktaking exercise and developing a strategic vision for payment and settlement system and electronic clearing of domestic transactions. To bring South Sudan to benefit from EAC-PSSIP, the Bank partly used the stock-taking reports to identify solutions that had been developed with input from stakeholders.

II PROJECT DESCRIPTION

2.1 Project Objective

2.1.1 **The sector goal of the grant is to achieve full economic and monetary union of EAC's six-member states:** Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan. The primary objective of the Project is to improve the basic infrastructure of the financial sector in South Sudan through provision of modernized payment systems to enhance the performance of the country's financial systems. The second objective will be to enhance convergence and regional integration of payments and settlement systems; strengthening a harmonized legal and regulatory framework for the financial sector and capacity building in the areas of payments and settlement in South Sudan. The outcome will be a robust environment for both wholesale and retail payment and settlement systems to facilitate market integration, support effective application of monetary policy and financial markets aimed at enhancing safety and efficiency in the overall payment and settlement systems. This will contribute to the pursuit of sound macroeconomic policies and improved functioning of regional integrated financial markets. Through Integrated Payment and Settlement Systems, the project will support the broadening and deepening of the financial sector by establishing a single market in financial services among EAC Partner States, with a view to providing a wide range of financial products and services to all, at competitive prices.

2.2 Project Components

The key components are: (A) Institutional regulatory reforms, legal framework and capacity building; (B) Strengthening payment systems infrastructure and infrastructure upgrade; and (C) Project management.

2.2.1 **Institutional, regulatory reforms, legal framework and capacity building.** At present there is very limited capacity at the Bank of South Sudan regarding the development of the national payment system as well as its adequate oversight. The staff involved in payment system-related activities (mainly dealing with the manual clearing systems and SWIFT connectivity) are not allocated to a payment systems department, which, according to international standards and best practices, should be part of the BSS's structure; this has resulted in lack of oversight of existing systems. The project will support the establishment of a payment systems department which will be responsible for operations, oversight and policy development. The Bank will (i) provide technical assistance support to BSS to develop a road-map to address the comprehensive list of challenges faced by BSS in terms of systems, geography, and infrastructure. Technical assistance will also support the BSS in the development of the technical and functional specifications requirement to be used in procuring, configuring and implementation of the payment systems, including the ATS;(ii) provide for the initial training of the BSS payment systems staff, focusing on awareness activities, study visits, and ensuring that the relevant institutional framework, including updating laws and regulations where they exist, putting in place a payments system oversight department and the required human resources ; iii) conduct sensitization and awareness amongst the population about the advantages of using the system especially for cross border payments and special attention will be made to include women business operators. Due to the post-conflict challenges faced by South Sudan, the current EAC Project implementation team will support the BSS

to prepare the procurement documentation and facilitate the coordination of activities. This will also ensure that the BSS will be well equipped for smooth and timely implementation of the activities envisaged. It is expected that disbursement will be made within 6 months after project approval. This component will be funded under the on-going EAC-PSSIP project.

2.2.2 Strengthening Payment Systems Infrastructure. Settlement and interbank payment foundation, including an Automated Transfer System (ATS) which will significantly improve the national payment system. The ATS systems include the Real Time Gross Settlement System (RTGS) and an Automated clearing House (ACH) with functionalities that support the clearing and settlement of both high-value and retail payments. Through the RTGS module, high-value transfers (in particular inter-bank transfers, and transfers between the banks and the Central Bank, including monetary policy operations) are settled in central bank money, and in real time, reducing liquidity and credit risks in the system. The ACH module clears low-value (retail) payments includes several clearing cycles during the day, and provides for settlement in the RTGS component. Retail payments (such as credit transfers and direct debits) enhance efficiency and secure processing, compared to the existing manual system for credit transfers operated by BSS. The ATS system will also support e-government, as it will have the capability to handle large value and low value transactions emanating from the government in a safe and efficient manner. The implementation of the ATS will facilitate (i) the phasing-out of cheques, (ii) decrease in the use of cash, and (iii) in general a smooth migration to electronic payments. As an outcome, the ATS will improve the national payment system, which in turn will contribute to economic growth and poverty reduction. ATS incorporates the RTGS module which is a requirement for participation in EAPS under the terms of EAC.

2.2.3 Under this project, a needs assessment exercise will be conducted to support the formulation of a strategy to develop an extension of retail payments capacity through interoperable mobile payments and card transactions. This will provide information for future development of an interoperable switch for mobile payments, providing interoperability between the Payment Service Providers (PSPs) and banks for retail payments operating under differed net settlement

2.2.4 Infrastructure Upgrade. This sub-component involves providing state-of-the-art IP-based data communication networks, and reliable uninterrupted power supply to BSS in line with the needs identified. Electricity supply is unreliable and other IT infrastructures are in poor state. The Project will finance stand-by power generators; solar powered systems to provide uninterrupted power supply in the short term. The Government of South Sudan is rehabilitating a thermal power plant near Juba and the distribution network is being built under the ADB funded project. There is a proposal to build a transmission line from Uganda to import power. The project will support the upgrade of the Local Area Network (LAN). The Government has licensed a private internet provider to build and operate the Metropolitan Area Network (MAN). The commercial Banks will make provisions to connect to the Central Bank. The Government has granted licenses to four internet providers to build and operate a fiber optic cable from Nimule which is at the Boarder with Uganda. It was confirmed that one of the leading regional internet providers has already paid the license fee and was expected to commence the laying of the cable by June 2019 and is anticipated to complete within 6-12 months.” The project will support the development of “Special purpose premises” to support the high-availability requirements of market infrastructures, some adaptation of physical premises within Juba will be necessary. A location within BSS premises will be identified and upgraded to modern data-center standards. A second data-center will be developed as backup and as a disaster recovery site, within Juba but far enough away that any single event is unlikely to eliminate both. The two sites should be connected by sufficient bandwidth to support mirrored operation of the RTGS and other applications as their usage rates increase following implementation. Each of the premises must also have connectivity available for each of the commercial banks. Each site must include uninterruptible backup power supplies, and adjacent standby electricity generating facilities that will remain available in the event of prolonged mains outages.

2.2.5 Project Management. This component will include: (i) Technical assistance /the consultancy services for supervision of the implementation of the payments system; and (ii) operational costs, including: cost incurred by the EAC Project management team in supporting /BSS and the National Payment System Committee (NPSC) at BSS once it is established; cost of the annual project’s external

audits; and training and skills improvement activities at the central bank.

2.2.6 The components of the proposed program are provided in the table below.

Table 1: Project Components

Components	Amount (USD million)	Activities
Institutional regulatory reforms, legal framework and capacity building	This is to be covered under the on-going project. USD 1.74m ³	<p>A. Recruitment of Technical Assistance (TA)/Payment Expert for development of:</p> <ul style="list-style-type: none"> ○ Institutional reforms, ○ Capacity building requirement ○ Change management ○ Technical requirements including hardware and software, technical skills and training requirements for: <ul style="list-style-type: none"> (i) IT infrastructure, (ii) SWIFT system, (iii) ATS (ACH+RTGS) systems and (iv) The users' desktop. <p>B. Recruitment of a consultancy firm to develop the payment systems legal framework;</p> <p>C. Capacity building, training and awareness in the areas of payment system, oversight, IT and related areas.</p>
Strengthening Payment Systems Infrastructure and upgrade	5.0	<p>(i) Procurement and installation of an upgraded IT infrastructure Including the necessary replacements /upgrades in hardware and software, with a view to ensuring high-level availability, resiliency, scalability, redundancy that will support the national payment systems and in general ensuring a high level of compliance with international standards. This comprises the upgrade of LAN Datacenter; Storage; UPS; the generators; Disaster recovery center.</p> <p>(ii) Procurement and installation users' desktop and upgrade of OS to support the national payment system;</p> <p>(iii) Procurement and implementation of Swift Gateway and SwiftNet connectivity;</p> <p>(iv) Acquire CSD.</p> <p>(v) Procurement and implementation of Automated Transfer System, a hybrid system which includes the Automated Clearing House – ACH system and the Real Time Gross Settlement system – RTGS.</p> <p>(vi) Technical Assistance (TA)/Payment Expert to support BSS in the implementation of the Project.</p>
Project Management	1.17	Retain the Project Implementation Unit (PIU) at the EAC Secretariat; PIU project operational expenses; and PIU logistical support for BSS and EAC core project team
Total Base	6.17	
Contingencies	0.49	Price and physical contingencies.
TOTAL	6.66	

³ This will be funded under the on-going EAC-PSSIP project.

Technical Solution Retained and Other Alternatives

2.2.7 Various technical solutions were explored for the project taking into account the characteristic summarized below:

Table 2: Analysis of the Various Alternatives Considered

Alternative	Brief Description	Reasons for Rejection	Selected Option
Implement separately ACH & RTGS	Implement separately ACH and RTGS systems	This will require more time and cost more. The two systems may be acquired through different providers and will require additional integration work.	Implementation of ATS, a hybrid solution that combines ACH and RTGS. This is more innovative technology; which is cheaper and most appropriate for small markets like South Sudan.
Connectivity through Swift Agency service bureau	Connectivity through Swift service bureau	This solution is not compatible for National Payment System as ACH and RTGS require proprietary Swift connectivity	Swift connectivity bronze that uses two internet lines as backup of each other. RSS will use Swift connectivity through Internet lines based on VSAT and microwave.
Interface of RTGS through an independent virtual Private Network(VPN)	Establishment of and EAC regional centric VPN	The establishment of EAC centric VPN will not be efficient and cost effective. Global standard best practices have acknowledged and used SWIFT as a global standard system for payments. Any other solution may cause financial market and payment transaction delay and compatibility issues	SWIFT system selected which is in line with the global standards payments best practices
EAC Proprietary Payment similar to European TARGET2	Establishment of EAC own regional real time gross settlement system	This entails EAC developing their own system like European TARGET2 system. This will not be efficient and cost effective. As most countries in EAC have already implemented their RTGS off-the-shelf the integration of RTGS is more efficient and cost effective and easy to maintain as market standards evolve.	Integration of countries' RTGS systems in the region.

2.3 Project Type

2.3.1 The proposed operation is a technical and institutional support project, financed by a grant from the Regional Operations of ADF-14 and TSF Pillar I to South Sudan. The project involves support to RSS to modernize payment systems to improve financial services at national level and eventual integration within the EAC partner states. It has three components: (a) Integration of Financial Market Infrastructure; (b) Harmonization of financial laws and regulations; and (c) Institutional and Capacity Building. The intervention will also support institutional capacity building by supporting the restructuring and strengthening of the Central Bank and creation of a dedicated department to provide oversight and supervision of the payment systems in the country. The project will contribute to the modernization, harmonization and regional integration of payment and settlement systems in RSS to be at the same level as other EAC Partner States, and develop common standards for instruments together with appropriate regulatory and legislative practices.

2.4 Project Cost and Financing Arrangements

2.4.1 The total a cost, net of taxes and duties, of financing the implementation of the present proposal to include South Sudan in the on-going EAC-PSSIP project is estimated at UA 6.6 million. Of this amount, UA 4.8 million, representing 75.0 percent of the project cost will be financed using the proposed ADF Grant to Republic of South Sudan (comprising UA 2.9 million (RO) and UA 1.9 million from TSF) to be used for activities in South Sudan. Collectively the Central Bank and Commercial Banks operating in South Sudan will contribute UA1.60 million, representing 25 percent of the project cost. The commercial banks' contribution represents the investments that they would be required

to make in their respective offices in order for the new payment systems to operate effectively. In addition, for the Commercial Banks to benefit from the project's training programs, they will be required to sponsor their staff and cover the full cost of their participation in the programs. Details of the fees for participation of Commercial Banks would be determined by the EAC-CPT in conjunction with the training providers. The contribution of the Commercial Banks ensures their commitment and involvement. Incorporated in the cost estimates is physical contingency factor of 4 percent and price escalation on local and foreign currency at the same rate. At the end of this investment and the initial operation period, the systems will become fully sustainable.

Table 3: Project cost estimates by components (in million UA/USD)⁴

COMPONENT	(US\$ Million)			(UA Million)		
	Local	Foreign	Total	Local	Foreign	Total
Integration of financial market infrastructure	1.25	3.40	4.65	0.90	2.45	3.35
Upgrade of Datacenter IT infrastructure	0.81	1.60	2.41	0.58	1.15	1.74
Project Management	0.00	1.17	1.17	0.00	0.84	0.84
Total base	2.06	6.17	8.23	1.48	4.44	5.93
Physical contingencies	0.08	0.25	0.33	0.06	0.18	0.24
Price contingencies	0.08	0.25	0.33	0.06	0.18	0.24
Total Project cost	2.22	6.66	8.89	1.60	4.80	6.40

Table 4: Project cost by category of expenditure (in million USD/UA)⁵

CATEGORY OF EXPENDITURE	(US\$ Million)			(UA Million)			% Total cost
	Local	Foreign	Total	Local	Foreign	Total	
A. GOODS	2.22	4.75	6.97	1.60	3.42	5.02	78%
B. SERVICES	0.00	0.65	0.65	0.00	0.47	0.47	7%
C. OPERATING COSTS	0.00	1.26	1.26	0.00	0.91	0.91	14%
Total Cost	2.22	6.66	8.88	1.60	4.80	6.40	100%

Table 5: Project Cost by Category of Expenditure in million UA/USD

CATEGORY OF EXPENDITURE	(US\$ Million)			(UA Million)		
	Local	Foreign	Total	Local	Foreign	Total
A. GOODS	2.22	4.75	6.97	1.60	3.42	5.02
B. SERVICES	0.00	0.65	0.65	0.00	0.47	0.47
C. OPERATING COSTS	0.00	1.26	1.26	0.00	0.91	0.91
Total Cost	2.22	6.66	8.88	1.60	4.80	6.40

⁴ 1UA = 1.38825 USD as of 31st March, 2019

⁵ Including contingencies

Table 6: Expenditure by Component and Source in million UA

CATEGORY OF EXPENDITURE	Commercial Banks		Central Bank		ADF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Integration of financial market infrastructure	0.66	22%	0.16	6%	2.12	72%	2.94	100%
Upgrade of Datacenter IT infrastructure	0.47	26%	0.12	6%	1.24	68%	1.83	100%
Capacity Building	0.16	28%	0.04	7%	0.39	65%	0.59	100%
Project Management	0.00	0%	0.00	0%	1.05	100%	1.05	100%
Total Cost	1.29	20%	0.32	5%	4.80	75%	6.41	100%

Table 7: Category of Expenditure by Funding Source in million UA

FINANCING	A. GOODS	B. SERVICES	C. OPERATING COSTS	Grand Total
ADF	3.36	0.39	1.05	4.80
Central Bank	0.28	0.04		0.32
Commercial Banks	1.12	0.16		1.28
Grand Total	4.76	0.59	1.05	6.40

Table 8: Expenditure Schedule by Component in million UA

COMPONENT	(UA Million)			
	2020	2021	2022	Total
Integration of financial market infrastructure	0.69	2.08	0.69	3.46
Upgrade of Data center IT infrastructure	0.37	1.12	0.37	1.87
Project Management	0.32	0.43	0.32	1.07
Total Project Cost	1.39	3.63	1.39	6.40

2.5 Project's Target Area and Population

2.5.1 While the South Sudan will be the recipient of the grant funds, all investment be implemented by EAC but will be focused entirely on South Sudan using the same modality as the on-going project. The direct beneficiaries of the project include the Central Bank of South Sudan (BSS), the Commercial Banks, other financial institutions and the judiciary. However, given the expected improvements to the efficiency of payments processing and funds transfers in the other five covered countries, the ultimate beneficiaries would be businesses (especially SMEs) and all users of banking services (including women who constitute the majority of the population) through their increased participation and inclusion in the formal financial sector. The citizens of South Sudan will benefit from modernized financial services and increase financial inclusion. The efficiency and reliability to be delivered, and expanded financial intermediation, will result in improving governance at country level, minimizing the use of cash, strengthening and integration of the national payment systems into the six countries designed to encourage a greater proportion of the population to migrate into the formal financial sector. The project would also create an enabling environment for the private sector. As a Regional Public Good, strengthening of the payment and settlement systems will enhance regional integration and financial governance.

2.6 Participatory Process for Project Identification, Design and Implementation

2.6.1 Wide consultation involving relevant stakeholders and officials was done during project preparation and appraisal missions. Extensive consultations were held with various stakeholders including officials of the BSS; Ministry of Finance; International Monetary Fund; commercial banks and the Executive Council of the Bankers Association. The mission also consulted with selected hotel operators, and telephone/mobile service providers. This series of consultations facilitated inputs from both the providers and expected users of a well-functioning and integrated payment system and the

risks associated with the manual /existing system as well as the importance of an efficient technical solution with connection to major international credit cards networks. The meetings with Telecom operators and electricity companies offered an opportunity for the team to appreciate the availability of connectivity and reliability of power supply. As part of the implementation of the project, sensitization of the population on retail payment systems and use of electronic means of payment will be undertaken by organizing seminars, focus groups, workshops and through the media to explain the new payment systems and its benefits to stakeholders.

2.7 Bank Group Experience, Lessons Reflected in Project Design.

2.7.1 As at February 2019, the Bank's portfolio in South Sudan comprised seven active operations with total commitments amounting to UA 76.67million (about USD 107.71million). In terms of sectoral distribution, the agriculture sector has the largest allocation of 41%, followed by the power sector (36%), multi-sector (17%), and water supply and sanitation (6%). The portfolio performance is rated unsatisfactory, with an overall score of 2.5 on a scale of 1 to 4 because of the new projects approved but yet to be disbursed. Some of the operational challenges include; (i) the government's low absorption capacity due to institutional and human capital weaknesses; (ii) weak procurement systems in the country and inadequate knowledge of the Bank's procurement policies and procedures; (iii) high staff turnover from project implementation units; (iv) and delays in the implementation of procurement plans and submission of audit reports.

2.7.2 During project design, the team considered the issues outlines above that have impacted on the portfolio; performance in the country and the lessons learned from the ongoing operations and the recently concluded **West African Monetary Zone payment system Development project**, (WAMZ) payment project. The team took into consideration the main underpinning analytical works in South Sudan and the recently evaluated capacity building and stock taking activities conducted by IMF. The lessons derived from the on-going project and the WAMZ project include: (i) the need to: avoid delays in project effectiveness due to synchronizing of signature and ratification of grant agreement by member states of the EAC. In this regard, the Bank received confirmation from the government of South Sudan that they agree to the project including its mode of implementation; (ii) provide regular training on the Bank's policies and procedures, including financial management and procurement. At project launch, project teams will be trained on the application of Bank policies; (iii) systematically integrate into new operations a component related to capacity building and skills development. The project has a component for capacity building (iv) ensure timely disbursement and contribution of counterpart funds; (v) seek strategic partnerships to improve coordination with partners and help catalyze additional funds through co-financing and trust funds to finance government's priority projects; vi) conduct study tours for recipients to appreciate new technologies on the market to help in technical specifications development; and vii) preparation of procurement documents and advanced procurement will be carried out upfront to ensure that disbursement can be made within six months of project approval. It was also deemed important for users to learn more about available technology on the market, as this delayed implementation of similar projects funded by the ADB in other countries.

2.8 Key Performance Indicators

The projects results-based framework presents the main impact, outcome and outputs indicators to be achieved. (Page vi).

2.8.1 **Expected Outputs:** The Central Bank of South Sudan (BSS) with a well-functioning and integrated Real Time Gross Settlement (RTGS) systems and retail payment and settlement systems; Central Securities Depositories and Core Banking Platforms; Supporting infrastructure including business continuity and disaster recovery platforms that function satisfactorily; System that enables interoperability with mobile money; Developed and implemented the National Payment System that is harmonized with EAC country's legislation; regulations and policies that ensure adequate supporting pillars for the payment and settlement

systems to be integrated throughout the EAC in order to protect payment flows. Including, but not limited to; adoption of common “Failure to Settle” arrangements, “Oversight Framework Policy”, onsite-inspection format in line with BIS CPSIPS, regulatory arrangements for payment instruments and collateral levels; enhanced capacity and supporting skills sets for specific areas of payment and settlements for EAC core project team (EAC-CPT) within the Central Bank of South Sudan, the commercial banks, judges and other stakeholders and regulators

2.8.2 Expected Project Outcomes :South Sudan (RSS) will have a sound modernized wholesale and retail payment and settlement systems that will improve financial service delivery at national level and support eventual integration to strengthen the efficiency of cross-border funds transfers within the six EAC countries; together with strengthening of the financial sector regulatory and legislative capacity in South Sudan to be at the same level as other EAC Partner States thereby promoting regional integration. There will be increased participation of South Sudan private sector businesses, enhanced financial inclusion for the citizens of South Sudan and easier access to EAC countries market.

2.8.3 The key performance indicators under this outcome is: growth in inter-bank high-value funds transfers growing from US\$ 340 billion in 2019 to US\$ 420 billion in 2022. The second expected outcome is adequate and harmonized legislation and policy supporting payment and settlement systems. The main performance indicator under this outcome is; improvement from the current state of very limited regional legislative support for payment and settlement systems to the promulgated legislative support for National Payment Systems, CSD laws and ACH in South Sudan standardized and harmonized with those of Uganda, Burundi and Tanzania, respectively by 2022, in addition to the approval of harmonized rules and regulations for RTGS and National Payment Systems by the Monetary Affairs Committee and promulgation of the laws by the National Assembly by the end of 2022. The project will be monitored using key performance indicators (KPIs) at input, output and outcome levels reflected in the project’s result-based logical framework (RBLF). The outcome objectives will be measured through monitoring indicators related to the improved interregional transfer of funds and volumes of trade across the region.

III PROJECT SUSTAINABILITY

3.1 Economic and Financial Performance

3.1.1 Economic Benefits to RSS. South Sudan banking system will be the first main beneficiary of the proposed project. At the RSS Central Bank, the payments systems will be modernized in terms of infrastructure and relevant systems including building capacity to play the oversight role. The Central Bank systems to be upgraded will include; (i) the Interbank Clearing System (SICOI); (ii) the Automated Transfer System (ATS); (iii) provision of SWIFT connectivity; iv) upgrading the data center; v) provision of reliable power and communication; and (vi) supporting the drafting of laws and regulations pertaining to the payment system. Having a sustainable payment system prevents leakages and creates savings from reduced transaction costs and from administrative and overhead costs. South Sudan economy will benefit from a robust payment system in many ways. Merchants and businesses are mainly looking at more efficient processing leading to savings in processing time, cost, and manual system errors.

3.1.2 At Regional level (EAC). The proposed project is an Institutional Support Operation and, as such, is not amenable to credible and rigorous cost-benefit and financial analyses. While the costs of the proposed project are quantifiable, the benefits are indirect and realizable through the integration of the RTGS’s wholesale and retail payment and settlement systems. The latter will provide seamless transmission of funds at both the commercial and individual level throughout the EAC Partner States, thereby providing an enhanced platform to facilitate expansion of intra-EAC trade and attract greater local and foreign direct investments. An overarching economic justification for the proposed project includes its contribution to the facilitation of the migration to a common currency and the facilitation of the progress to EAC Monetary Union in turn bolstering an

expanded regional market. In addition, the project is expected to improve the financial security of inter-bank flows, within the EAC, by reducing the use of cash. It will also contribute to the reduction of clearing and settlement delays by banks to their customers thus making funds transfer more efficient. The consequent efficiency gains that would result from the above benefits and the accelerated means of undertaking payment for goods and services would contribute to an expansion of the regional economy and regional GDP growth. It is projected that the economic and financial benefits from the proposed project will be much higher than UA 4.8 million. Other economic and social benefits of the project are discussed in section 3.1.3 below.

3.1.3 Private Sector Development. The expected development outcomes of the proposed project are private sector development and financial sector deepening. The medium-term project outcomes will include improved financial sector performance and increased regional trade. The long-term impact will be enhanced economic growth, regional integration through increased trade; private and financial sector development, and poverty reduction. Thus, the project will promote private sector development through improvement of financial sector performance, ranging from traditional banking to mobile banking, remittances, agent banking, micro-financing and micro-insurance.

3.1.4 Financial Inclusion. Financial inclusion entails bringing more people into the formal financial system and leads to an increase in economic growth and stability in the country. A robust payment system will ultimately allow for deeper financial inclusion. The population will benefit from a wider supply of and better access to financial services, namely deposits and transfers, savings, loans and insurance products. The project will deepen financial inclusion and create a competitive financial sector through the internationalization of the payment system. By promoting poverty reduction and women empowerment through an expanded improved domestic/regional trade, the project will support inclusive growth, which is one of the twin objectives of the Bank's TYS. The planned improvements will include the possibility to process mobile payments, hence contributing to financial inclusion. The improvement of the payment system infrastructure in a sustainable manner will pave the way for further financial inclusion.

3.1.5 Regional Integration. Through its impact on the acceleration of convergence of payments and settlement systems, and the strengthening of regional common market commercial activities, the project will contribute to the attainment of EAC's regional integration objectives. Moreover, the negotiations of all the provisions of the EAC Monetary Union Protocol was completed and signed in December 2013 by the Summit. The EAC Monetary Institute bill was signed in February 2019 paving way to establish the institute. The project is a critical element that would contribute to its effective operation by ensuring that no EAC country is left behind due to capacity constraints.

3.2 Environmental and Social Impacts

3.2.1 Environmental and Social Challenges in the Project Area. The assessment made concluded that there are no negative environmental effects related to this project and only positive social effects are expected. In terms of social impact, there are no effects such as displacement, emigration of workers associated with the project, therefore there is no need for an ESMP.

3.2.1. Social. The project will have positive social impacts through increased trade which will result in more jobs and increased household income. In addition, use of electronic transfer of funds within government and the banking sector will increase in transparency and efficiency in the financial sector.

3.2.2 Climate Change. The project has been screened through the Bank's Climate Safeguards System (CSS) and assigned a category 2.

3.2.3 Gender. The project will have a positive impact on gender and women empowerment. The provision of a safe and faster payment system and eventual ease of payments within South Sudan and transfer of funds across the borders to other EAC countries will result in increased trade. In addition, a gender screening conducted during project design indicated that there are no gender-related risks that could affect achievement of project objectives. Given the intended impacts and outcomes, the project was assigned Category IV according to the Bank's Gender Marker System.

IV IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 Under the ongoing Project, the EAC Secretariat has a dedicated PIU which has demonstrated that it has adequate capacity to manage procurement and financial management activities, and to monitor and evaluate the project's outputs, outcome, and impact. It is proposed that the East African Community (EAC) and EAC Secretariat remains the project Executing Agency responsible for the overall implementation. The EAC Secretariat will remain the operational link between the Bank and the South Sudan. In this regard, the project will be implemented by the existing PIU established at the EAC Secretariat.

4.1.2 The project implementation will be delivered at two levels: the regional level and country level. At the regional level, the existing PIU would maintain responsibility for overall coordination of project implementation. Actual implementation shall be done at the country level by the Bank of South Sudan (BSS). The BSS will be required to establish National Core Project Team (NCPT) with the head of the department responsible for payment systems at the BSS as the "National Project Coordinator", and including experts for each of the project components, including an M&E Specialist. The BSS's project team will be responsible for all project implementations at the national level. A Technical adviser will be recruited to support BSS prepare technical specifications and development of procurement documents under the supervision of the EAC Secretariat. Preparation of procurement documents will be done upfront with the assistance of technical advisor and EAC Secretariat PIU to speed up fulfilment of conditions precedent to first disbursement and compliance with PD 02/2015.

4.1.3 Furthermore, the BSS will be required to establish a Steering Committee at the country level that would be chaired by the Deputy Governor, who will also serve as the Project Sponsor. The Steering Committee, which will have oversight over the NCPT, would include management level stakeholders that will be directly impacted by the outcome of the project, including heads of payment and settlement systems, information management systems, financial markets, banking operations, banking supervision, research, finance, and legal. During the implementation, the Steering Committee will provide policy direction, and resolve cross-functional and other matters pertaining to the project. The "National Project Coordinator", as a member of the Steering Committee, will provide the required interface between the project and the committee. In addition, the existing Executive Committee, chaired by the Deputy Secretary General Planning and Infrastructure (EAC Secretariat), and composed of representatives of the EAC Secretariat and the NCBs at Deputy Director or Director level will be responsible for supervising Project operations, in particular overseeing execution of financial management, procurement, accounting, and monitoring and evaluation (M&E) functions of the EAC-CPT and NCPT. The Executive Committee will be required to meet semi-annually to deliberate on the direction of implementation of the project and to take remedial measures where necessary. The technical adviser will facilitate the establishment of the "National Payment Systems Committee" (NPSC), comprised of representatives of the BSS, Commercial Banks, and other relevant stakeholders. The NPSC will be consulted regularly during the course of project implementation, and to provide inputs from the users' perspective (see Appendix A).

4.1.4 The establishment of the NCPT and Steering Committee by BSS is a condition of first disbursement of the grant resources, while the establishment of the NPSC is also a condition of precedent to first disbursement of the grants.

4.1.5 The Project will be implemented over a period 3 years starting from August 2019 to December 2022. Project completion is set for December 2022 and deadline for last disbursement will be June 2023. In order to speed up fulfillment of conditions precedent to first disbursement and compliance the PD 02/2015 the following had been done; i) South Sudan provided written confirmation confirming agreement to the proposed implementation modality; ii) EAC Secretariat team is using balance of uncommitted funds under the ongoing EAC-PSSIP project to support South

Sudan Central Bank to prepare procurement documents and capacity building.

4.2 Procurement Arrangements

4.2.1 Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “*Procurement Policy for Bank Group Funded Operations*”, dated October 2015 and following the provisions stated in the Financing Agreement. Procurement would be carried out following **Bank Procurement Methods and Procedures (BPMs)**, using the relevant Bank Standard or Model Solicitation Documents (SDs) and review procedures.

4.2.2 **Procurement Risks and Capacity Development:** Assessment of procurement risks at the Country, Sector, and Project levels and review of the procurement capacity of the Executing Agency (EA), were undertaken and the results have informed the decisions on the procurement regimes applicable for specific transactions or groups of similar transactions under the project. The Procurement Technical Annex (B) provides details of the analysis and recommendations on the procurement arrangements for the project.

4.3 Financial Management and Audit Arrangements

4.3.1 The FM assessment was informed by the results of the ongoing projects being implemented by the EAC PSSIP project and concluded that the overall risk is “moderate” taking into account mitigation measures (as per the risk table Annex 1 in the technical annex of the financial management assessment report). Based on the assessment of the risk level acceptable FM arrangements are in place for the project to be capable of (i) using the funds for intended purposes in an efficient and economical way; (ii) preparing accurate, reliable and timely periodic financial reports; and (iii) safeguarding the entities’ assets.

4.3.2 The Project will substantially use the EAC Secretariat financial management system. Project management will be conducted per the policies, and procedures stipulated in the EAC’s Financial Rules and Regulations 2012 and Financial Procedure Manual 2013. The maintenance of the project’s accounts will use the computerized accounting system of EAC- currently Sun Financial System. The overall responsibility for financial management including Budgeting, Accounting system, and Internal Control, Treasury Management/Funds Flow, Financial Reporting and External Audit arrangements (ensuring the project financial statements are audited) rests with the EAC Secretariat. The Director of Finance who will be responsible for the financial management function of the Project heads the Finance Department. The Project Coordination Team (PCT) will be under the Director of Planning and comprise various staff of the ongoing the EAC Payment and Settlement Systems Integration (EAC-PSSIP) covering other five regional countries excluding South Sudan. The staff include the Project Accountant supervised by the Director of Finance or delegate. The EAC Secretariat has experience in managing Bank funded projects and those of other Development Partners like the World Bank, JICA, European Union, UASID and DFID. The financial management systems for the ongoing project are generally satisfactory and comply in a timely manner with the submission of audit and quarterly progress reports.

4.3.3 The Project will prepare quarterly interim financial reports and submit them to the Bank within 45 days after the end of each quarter, in line with EAC and Bank reporting requirements. The Internal Audit Department will audit the project financial transactions at least once annually and the internal audit reports will be shared with the Bank during supervision missions.

4.3.4 An Independent Auditor, the EAC Audit Commission or Private audit firm, will conduct the external audit of the Project in accordance to the Terms of Reference approved by the Bank. The submission of audited financial statements, complete with a management letter and management responses will be submitted to the Bank within six (6) months after the end of the financial period.

4.3.5 The cost of the external audit will be borne out of the proceeds of the Grant in the event that such audit is undertaken by a competitively recruited private audit firm appointed in accordance with paragraph (a) of this section.

4.4 Disbursement Arrangements

4.4.1 The Project will mainly use the Direct Payment and special account methods to pay for eligible project expenditures. The EAC Secretariat will open a special account in foreign currency to receive funds from the Bank at a bank acceptable to the Bank. The Reimbursement and Reimbursement guarantee methods prescribed in the Disbursement Handbook (accessible through the Bank's website) are also available for use when the need arises after consultation with the Bank and obtaining prior approval. The Bank will issue a disbursement letter, which will provide specific guidelines on key disbursement procedures and practices of which the content will be discussed and agreed during negotiations. The Bank will issue disbursement letters each for TSF and ADF - stipulating key disbursement procedures and requirements.

4.5 Monitoring and Evaluation

4.5.1 The EAC will have the overall responsibility for the monitoring and supervision of various activities including ESMP implementation. The Bank will closely follow up project implementation through regular supervision missions and engagement through the EAC Secretariat and RSS Country Office (COSD). The EAC Project team will compile and submit to the Bank quarterly progress reports. In addition, annual audit reports and management letters will be submitted to the Bank within six (6) months of the end of each financial year. The mid-term review will provide an opportunity to re-examine the implementation progress and further strengthen/fine-tune the project. Upon completion of the project, the EAC Secretariat will prepare and submit a Project Completion Report (PCR); on receipt of the report, the Bank will conduct its own PCR.

Table 9: Key Project Milestones

Timeframe	Milestone	Monitoring Process/feedback loop
July 2019	Project approval	Project approved by the ADB Board
July 2019	Signing and effectiveness	Grant protocol of agreements signed and declared effective by the Bank
September 2019	Launching	Launching workshop organized
November 2020	Start of works	Works contract signed
June 2022	Mid-term review	Mid-term review undertaken
March 2024	Completion of project	Project completion report

4.6 Governance

4.6.1 Article 4 of the EAC Treaty which provides for legal capacity of the Community, states that the Community, as a corporate body shall be represented by the Secretary General. Consequently, funding for all projects and programs of the EAC is negotiated, agreement signed and managed by the EAC Secretariat. This is founded on the provisions of Article 4 read together with Article 71 of the EAC Treaty which provides for, inter-alia, function envisaging: 71(1) (b) the initiation of studies and research related to the implementation of programs for the most appropriate, expeditious and effective ways of achieving the objectives of the community; (c) the strategic planning , management and monitoring of programs for the development of the Community; (h) the general administration and financial management of the Community; and (i) the mobilization of funds from the development partners and other sources for the implementation of projects for the Community. It is clear from these provisions that the EAC Secretariat has the mandate to deal with the Bank on EAC related projects/programs requiring funding. The implementation of this project shall therefore, be similar to the implementation of any other EAC project or program.

4.7 Risk Management

Table below presents the main risks and mitigation measures.

Table 10: Risks and Mitigation Measures

Risk	Probability /Impact	Mitigation measures
Security & political instability in South Sudan	Medium probability/	There are indications that progress has been made to reconcile the different factions and rebel groups
Lack of commitment from top management, weak decision making and project implementation capacity	Medium probability/ high impact	This risk is mitigated because (i) Strong commitment has been shown by the Ministry of Finance and a National Payment Board (NPB) including all payment related stakeholders at country level will be created to cope with the country's national payment issues. (ii)-The management of BSS has shown their commitment to make this project successful as key priority. A steering committee is being put in place to facilitate the decision-making process. (iii) The PIU is the same in EAC which has had strong experience in implementing the National Payment System in the other EAC countries and has been involved since the inception of proposal to include the South Sudan in the ongoing project. They also have good experience in the application Bank's fiduciary policies and procedures. (iv) In addition the BSS project team was actively engaged during project design and demonstrated strong commitment. Moreover, capacity building and training benefiting the payment department and technical team are planned as part of Component 1 of the proposed project.
System failure and systemic risk posed by insufficient capacity to sustain infrastructures	Medium probability/ High impact	This risk is mitigated because: (i)- The project has taken into account the upgrade of the existing IT infrastructure (LAN, datacenter, storage) and disaster recovery site. (ii)- Moreover while the country is experiencing telecommunications and electricity issues the fiber optic and power projects are being implemented in the country to resolve those issues once and for all. (iii)- In the meantime, the NPS project has planned for additional generators for power supply & increase of internet bandwidth.
Technical solutions may not be sustainable	Low probability/ high impact	This risk is mitigated because: (i) The technologies to be used are the standard industry technologies off-the-shelf that have been tested, deployed and successfully proven worldwide. (ii)- Moreover capacity building and training have been considered as keys to equip staff with adequate skills to implement and operate the systems in the long run.
Possible lack of commitment of commercial banks	Low probability/ High impact	This risk is mitigated because: (i) The commercial banks and bankers' association have expressed their commitment and ardent desire to see the project happened. (ii) Moreover they are willing to contribute by building their own connectivity infrastructure to connect to the national payment system. (iii) Some commercial banks advocate to provide as much as possible eventual necessary trainings to the ecosystem in the framework of the project.
Anti-Money Laundering (ALM)/counter terrorism financing	Low probability/ high impact	An ADB funded instructional capacity building program will support full implementation of ALM/Counter terrorism legislation

4.8 Knowledge Building

4.8.1 The IPR, quarterly progress reports, audit, and completion reports will also provide information on various aspects of the project for further diagnosis. Given the project's focus on complex technical issues and areas, there is a potential to generate useful lessons. In line with Bank's Knowledge Management Strategy 2015-2020, the knowledge obtained will be captured, documented and shared within the Bank and other DPs and regional member countries (RMCs).

V. LEGAL INSTRUMENTS AND COMPLIANCE SECTION

5.1 Legal Instrument

5.1.1 The project will be financed by Transition State Facility (Pillar I) and ADF 14 Regional Operations resource grants.

5.1.2 The legal instruments include two (2) tripartite protocol of agreements amongst the EAC, the Government of South Sudan and the Fund for the Grant resources from the TSF Pillar I and the ADF RO Envelope of UA 1.9 million and UA 2.9 million respectively:

5.2 Conditions Associated with Fund's Intervention

A. Condition Precedent to Entry into Force of the Tripartite Protocol of Agreements shall enter into force upon signature by the parties thereto.

B. Conditions Precedent to First Disbursement of the Grants

The obligations of the Fund to make the first disbursement of the grants shall be conditional upon the entry into force of the tripartite protocol of agreements and the fulfillment by the Recipient and the EAC, in form and substance satisfactory to the Fund, of the following conditions:

- (a) Submission of evidence of the execution of a Project Implementation Agreement between the Recipient and the EAC for the implementation of the Project in form and substance satisfactory to the Fund;
- (b) Submission of evidence of the constitution of the National Core Project Team (NCPT) at the Bank of South Sudan (BSS) comprising the Head of the department responsible for payment systems in BSS as the national Project coordinator, payment experts and the monitoring & evaluation specialist, with qualifications and terms of reference acceptable to the Fund;
- (c) Submission of evidence of the establishment of the Project steering committee by the BSS comprising the BSS Deputy Governor as the Chair, the national project coordinator and other relevant stakeholders with functions and terms of reference acceptable to the Fund; and
- (d) Submission of evidence of the establishment of a national payment system committee (NPSC) comprised of BSS representatives, commercial banks, and other relevant stakeholders with functions and terms of reference acceptable to the Fund.

C. Undertakings

- (i) The Recipient shall submit evidence of the provision of the counterpart funds of an amount satisfactory to the Fund not later than twelve (12) months after the signature of the tripartite protocol of agreements;
- (ii) The EAC shall submit a letter not later than two (2) months after the signature of the tripartite protocol of agreements confirming that the existing governance structure for the EAC-PSSIP will be maintained
- (iii) The Recipient and the EAC shall maintain close communication and coordination amongst the EAC Secretariat, BSS and the Recipient.

- (iv) The Recipient and the EAC shall implement the project in accordance with: (a) the Bank's rules and procedures; (b) national legislation; and (c) the recommendations, requirements and procedures set forth in the ESMP prepared for the project; and
- (v) The Recipient and the EAC shall deliver to the Bank quarterly project reports and any other reports in form and substance acceptable to the Bank.

5.3 Compliance with Bank Policies

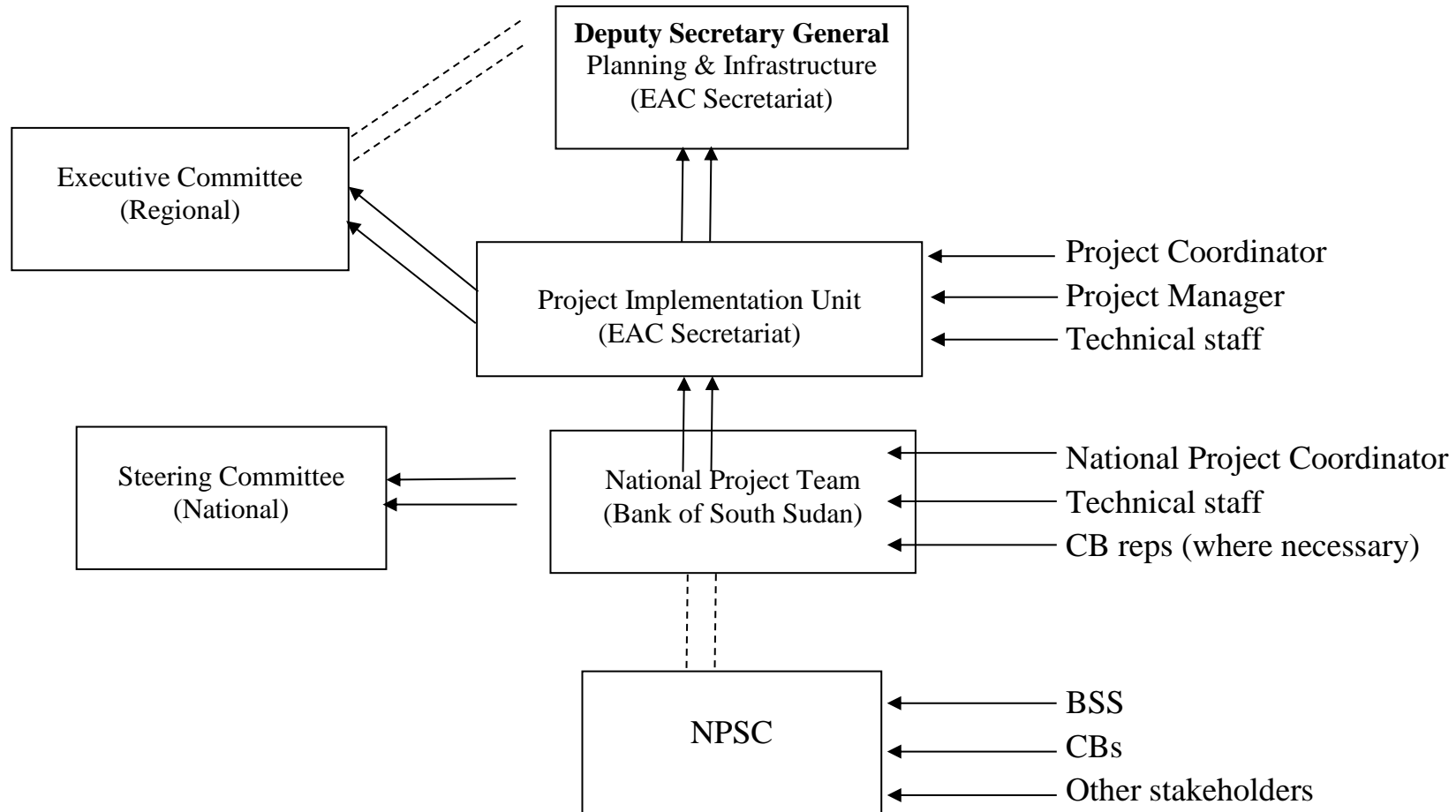
5.3.1 This project complies with all applicable Bank policies.

VI. RECOMMENDATION

Management recommends that the Board of Directors of the Bank and the Fund approve the proposed TSF Pillar I grant of UA 1.9 Million and ADF 14 Regional Operations Envelope Grant of UA 2.9 million respectively to the government of South Sudan to support the inclusion of South Sudan in the EAC – PSSIP project.

APPENDICIES

Appendix A: EAC-PSSIP CORE PROJECT TEAM (GRANT)

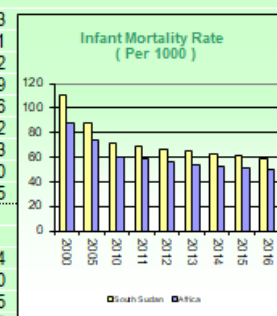
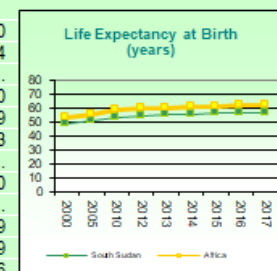
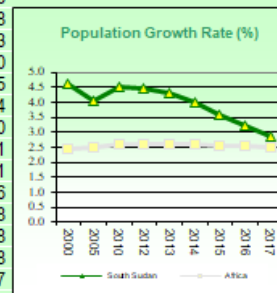
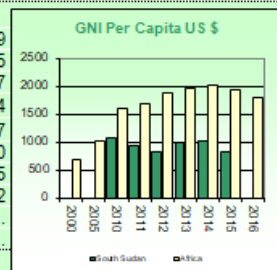


NPSC: National Payment System Committee
BSS: Bank of South Sudan
CBs: Commercial Banks

Appendix B. Country's Comparative Socio-economic Indicators

South Sudan COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	South Sudan	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)	2017	644	30,067	80,386	53,939
Total Population (millions)	2017	13.1	1,184.5	5,945.0	1,401.5
Urban Population (% of Total)	2017	18.9	39.7	47.0	80.7
Population Density (per Km ²)	2017	21.4	40.3	78.5	25.4
GNI per Capita (US \$)	2015	820	2 045	4 226	38 317
Labor Force Participation *- Total (%)			66.3	67.7	72.0
Labor Force Participation **- Female (%)			56.5	53.0	64.5
Sex Ratio (per 100 female)	2017	100.4	0.801	0.506	0.792
Human Develop. Index (Rank among 187 countries)	2015	181
Popul. Living Below \$ 1.90 a Day (% of Population)	2009	42.7	39.6	17.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2017	2.8	2.6	1.3	0.6
Population Growth Rate - Urban (%)	2017	4.1	3.6	2.6	0.8
Population < 15 years (%)	2017	41.7	41.0	28.3	17.3
Population 15-24 years (%)	2017	20.4	3.5	6.2	16.0
Population >= 65 years (%)	2017	3.4	80.1	54.6	50.5
Dependency Ratio (%)	2017	82.2	100.1	102.8	97.4
Female Population 15-49 years (% of total population)	2017	23.9	24.0	25.8	23.0
Life Expectancy at Birth - Total (years)	2017	56.9	61.2	68.9	79.1
Life Expectancy at Birth - Female (years)	2017	57.9	62.6	70.8	82.1
Crude Birth Rate (per 1,000)	2017	35.7	34.8	21.0	11.6
Crude Death Rate (per 1,000)	2017	10.9	9.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2016	59.2	52.2	35.2	5.8
Child Mortality Rate (per 1,000)	2016	90.7	75.5	47.3	6.8
Total Fertility Rate (per woman)	2017	4.8	4.6	2.6	1.7
Maternal Mortality Rate (per 100,000)	2015	789.0	411.3	230.0	22.0
Women Using Contraception (%)	2017	6.5	35.3	62.1	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)			46.9	118.1	308.0
Nurses and midwives (per 100,000 people)			133.4	202.9	857.4
Births attended by Trained Health Personnel (%)	2010	19.4	50.6	67.7	...
Access to Safe Water (% of Population)	2015	58.7	71.6	89.1	99.0
Access to Sanitation (% of Population)	2015	6.7	51.3	57	69
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2016	2.7	39.4	60.8	96.3
Incidence of Tuberculosis (per 100,000)	2016	146.0	3.8	1.2	...
Child Immunization Against Tuberculosis (%)	2016	37.0	245.9	149.0	22.0
Child Immunization Against Measles (%)	2016	20.0	84.1	90.0	...
Underweight Children (% of children under 5 years)	2010	27.6	76.0	82.7	93.9
Prevalence of stunting	2010	31.1	20.8	17.0	0.9
Prevalence of undernourishment (% of pop.)	2011		2 621	2 335	3 416
Public Expenditure on Health (as % of GDP)	2014	1.1	2.7	3.1	7.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2015	66.6	106.4	109.4	101.3
Primary School - Female	2015	55.1	102.6	107.6	101.1
Secondary School - Total	2015	9.9	54.6	69.0	100.2
Secondary School - Female	2015	6.9	51.4	67.7	99.9
Primary School Female Teaching Staff (% of Total)	2015	14.8	45.1	58.1	81.6
Adult literacy Rate - Total (%)	2008	26.8	61.8	80.4	99.2
Adult literacy Rate - Male (%)	2008	34.8	70.7	85.9	99.3
Adult literacy Rate - Female (%)	2008	19.2	53.4	75.2	99.0
Percentage of GDP Spent on Education	2016	1.8	5.3	4.3	5.5
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2014		8.6	11.9	9.4
Agricultural Land (as % of land area)	2014		43.2	43.4	30.0
Forest (As % of Land Area)	2014		23.3	28.0	34.5
Per Capita CO2 Emissions (metric tons)	2014	0.1	1.1	3.0	11.6



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

May 2018

UNAIDS; UNSD; WHO; UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Appendix C. Bank portfolio in South Sudan

Project Name	Source of Finance	Approval Date	Final Disbursement Date	Effective First Disbursement	Net Commitment (UA million)
Resilience Water Project for Improved Livelihood in Juba	TSF grant	07/14/2016	12/31/2021	12/08/2016	4,950,000
South Sudan Distribution System Rehabilitation and Expansion	ADF grant	12/17/2013	12/31/2019	02/03/2015	16,960,000
Juba Distribution System Rehabilitation and Expansion Project	TSF loan	04/12/2017	12/31/2019	11/16/2017	10,610,000
Good Governance and Capacity Building for Natural Resources	TSF grant	10/27/2015	12/31/2018	05/23/2016	1,000,000
Gender Equality and Women's Economic Empowerment for Inclusion	TSF grant	10/27/2015	12/31/2018	05/23/2016	1,000,000
Non-oil Revenue Mobilization and Accountability in South Sudan	ADF/TSF grant/loan	03/30/2017	06/30/2021	05/22/2017	10,650,000
Say No to Famine - Short Term Regional Emergency Response Program	ADF/TST grant	7/21/2017	9/30/2018		31,500,000
Total					76,670.000

Appendix D. Key Related Projects Financed by the Bank and other Partners

DPs	Program / Project	location	Program implementation period	Amount
<i>ADB</i>	Resilience Water Project for Improved Livelihood in Juba	Juba	2017-2021	UA 4.95m
<i>JICA</i>	Improvement of Water Supply System of Juba (new intake & plant)	Juba	2013 - suspended	JYN 4,402m
<i>UNICEF</i>	water supply system for the UNMISS Protection of Civilian Site (POCs)	Juba	2018-2019	
<i>WB/MDTF</i>	RURAL WATER SUPPLY AND SANITATION PROJECT	Rural nationwide	2007-2009	USD 30m
<i>WB/MDTF</i>	WATER SUPPLY AND SANITATION PROJECT	Rural /urban in 10 state	2010-2012	USD 30m
<i>German</i>	Urban Water Supply and Sanitation	Juba and other towns	2015-2017	€31.0m
<i>German</i>	Development of the urban water and sanitation sector	Yei Yambio & Juba	2009 to 2013	€0.623,m
UNICEF/ USAID	water, sanitation and hygiene (WASH) services for chronically vulnerable and displaced populations in South Sudan,	Unity, Upper Nile, Jonglei, Central and Eastern Equatoria	2014-2016	USD 14m
Japan	Management Capacity enhancement	Juba	2010-2013	¥29.96m

Appendix E. Map of South Sudan



Source: South Sudan National Bureau of Statistics

Appendix F. EAC-PSSIP STATUS OF IMPLEMENTATION

To date most of the activities under the EAC-PSSIP project are at advanced stages of execution as detailed in the attached progress report.

Summary of achievements⁶ are as follows:

1. Well-functioning and integrated Real Time Gross Settlement (RTGS) systems with SWIFT connectivity;
2. Automated clearing systems that accommodate cheque truncation and ATM/POS reciprocity for retail payment and settlement systems;
3. Central Securities Depositories (CSD) and Core Banking Platforms in Uganda, Rwanda, Kenya, Tanzania and Burundi
4. Operational business continuity and disaster recovery platforms;
5. Harmonized national and regional legislation; regulations and policies that support payment and settlement systems in order to protect payment flows within the EAC region. The final validation of the report was conducted in Dar Es Salaam from 22-24th May 2019.
6. Improved skill to support specific areas of payment and settlement systems for the National Central Banks, the Commercial Banks, Judges, Judicial Officers and other stakeholders and regulators.

To date the project has committed up to 92%, comprising of on-going contracts and other capacity building activities. A total of USD 9,594,938 has been disbursed, representing 64% of the total project cost. The low ratio of disbursement is due to the following: i) the 2 year delay is starting the project because of the challenges to have the project declared effective; ii) Due to the sensitivity of operations within Central Banks, once gaps were identified, some of the Banks used own funds to rectify the issues after waiting for the Bank financing in vain and iii) It is important to note that the project was delayed for 2 years at the beginning.

Disbursement Breakdown

Exchange rate is 1: 1.40049

	Project Component	Budget UA (M)	Budget USD (M)	Actual Expenditure (M)	Commitments	Projections	Total	% Utilization
1.	Integration of Financial Market Infrastructure	8.12	11.37	7.84	0.98	1.67	10.49	92%
2.	Harmonization of Financial laws and Regulations	1.31	1.83	0.73	0.22	-	0.95	52%
3.	Capacity Building and Project Management	5.57	7.81	4.86	0	2.95	7.81	100%
	TOTAL	15	21.01	13.43	1.20	4.62	19.25	91%
	Project Expenditure (Including Commitments and projections) is 91 % of the grant							

⁶ Detailed activities completed are in the progress report attached and summary in annex1 and 2

Analysis of the Projections

	Activity	USD	USD (M)
	Component 1		
1.	Automated clearing systems (ACHs) to accommodate mobile clearing for Tanzania	200,000	0.2
2	Equipment for Business Continuity arrangements for Bank of the republic of Burundi	583,642	0.58
3	Swift Transaction Monitoring Solution & Business Intelligence (BI) for Kenya	399,129	0.39
	Central of Payment Incident system for Bank of the republic of Burundi	300,000	0.30
5	EAPS Help Desk/Monitoring Software for the Region	200,000	0.2
	Sub-total	1,682,771	1.67
	Component 3		
1	EAPS Publicity Strategy	844,000	0.84
2	EAPS 2 Consultancy	300,000	0.30
3	Study visits, Trainings, Project Management and other capacity Building Activities	1,802,934	1.82
	Sub-total	2,946,934	2.95
	Total Projections	4,629,705	4.62
	Total Grant Commitments + Projections (13.43+1.20+4.62)		19.25
	GRANT % Committed = 19.25/21.01 %		91%

Project Expenditure (Including Commitments) and projections is 91 % of the grant.

Project Savings

	Grant UA	Grant (USD) @ 1.40049	EXPENDITURE/ COMMITMENTS & PROJECTIONS (USD)	PROJECT SAVINGS (USD)
1	15,000,000	21,007,350	19,250,000	1,757,350

Appendix G. Summary of Proposed Capacity Building under on-going Project

S/N	Action Point	Descriptions	Recommendation	Estimated cost (USD)
	INSTITUTIONAL FRAMEWORK			
1	Finalize and adopt the National Payment System (NPS) Vision and Strategic Framework and update NPS stocktaking report.	NPS Vision, Reform and Modernization Objectives, updating NPS Stocktaking report, including validation workshops by stakeholders. Stakeholders: BSS, Ministries of Finance, Telecommunication, Energy, Bankers Association, etc.	The Project to provide support by hiring technical assistance/consultant to update and finalize the document, including validation by stakeholders.	100,000
2	Establishment of the National Payment Steering Committee (NPSC).	NPSC to be formed with representation from senior level officers of stakeholders (BSS at Deputy Governor level, Under Secretary MoF, MoT, NCA and Banking Industry) etc. BSS and stakeholders to undertake study visits to two Central Banks in the EAC region to learn and share experiences on: i) Structure, functions, roles and responsibilities of NPSC; ii) Composition and functions of the NPSC; and iii) Any other payment systems related issues. Delegation to be headed by a member of the BSS senior management, such as the Deputy Governor or Director General to provide leadership and guidance to enhance capacity at senior management level on NPS issues;	The Project to provide support for the study visit/ exposure. BSS Finalize and refine the Terms of Reference (TOR) for NPSC after the study visit/ exposure to the two Central Banks. BSS immediately to form the NPSC after the Term of Reference approved.	25,000
3	Organisation structure & positioning of NPS to support the modernization of payment systems as well as roles and functions of NPS	Structure of the section, Functions and roles.	This will be through exposure and site visit to regional Central Banks in order to learn and adopt.	25,000
4	Technical Assistance	Recruitment of a consultant with expertise in Payment systems, technology/infrastructure and business to support BSS in implementation of NPS Modernisation projects, including development of system technical requirements and build capacity to the BSS staff.	The Project to provide support for recruitment of the Technical Assistance	100,000
5	Renovation of Datacenter building	Renovation of buildings for primary datacenter and disaster recovery site (DRS)	The Project to provide support for renovation of buildings for primary datacenter and DSR	300,000

S/N	Action Point	Descriptions	Recommendation	Estimated cost (USD)
	CAPACITY BUILDING			
6	Capacity building and training of BSS staff in various areas, including the newly established NPS Unit/Section	Training of BSS staff through short-term standard business/ national payment system (NPS) courses, clearing house, financial market, and ICT specialized training.	The Project to provide support for training of BSS staff on national payment system (NPS), clearing house, financial market, and ICT training	200,000
7	Study tours in areas of payment and settlement systems, clearing house, financial market outside the EAC region	Study tour for Payment Systems staff of BSS and stakeholders to countries outside the EAC region to strengthen their capacity in payments systems oversight expertise and experience, clearing house, financial market.	The Project to provide support for Study tours for BSS staff and stakeholders in the areas of payment and settlement systems outside the EAC region.	80,000
8	Retail/Mobile Payment Systems	Conduct feasibility study on retail/mobile payment systems in the Republic of South Sudan (RSS), including possibility of national financial switch (NFS), POS, mobile money, electronic payment, etc.	The Project to support hiring consultant to undertake study on retail/mobile payment systems and advise the BSS. BSS to support the private sector to drive the development of retail/mobile payment systems in country. BSS and SSBA to encourage private sector investors to invest in areas of retail payment systems. Review the proposal to develop interoperability of mobile payment switch.	\$300,000
9	Logistical support for BSS National Project Core Teams	Facilitate core project team in carrying out activities for RSS	The project provides logistical support for BSS National Project Core Teams (NPCT)	150,000
10	Project Management Costs	Retain the project implementation unit (PIU) at EAC	Project support retaining project implementation unit (PIU) at EAC for effective management of the project	300,000
	LEGAL FRAMEWORK			
11	National Payment Systems legal and regulatory framework	Development of the National Payment Systems legal and regulatory framework, including the NPS Policy, NPS Act, NPS regulations and NPS Oversight Policy framework, including validation workshops by stakeholders.	Project to provide support, by hire consultants to formulates NPS legal framework, including validation workshops by stakeholders.	200,000
	GRAND TOTAL			1,780,000

Appendix H: Detailed project cost by activity and source of funding (in million UA/USD)⁷

COMPONENT	ACTIVITY	(US\$ Million)			(UA Million) ⁸		
		TSF	RO	Total	TSF	RO	Total
1. Integration of financial market infrastructure	1. Implementation of Automated Transfer System (ATS) – a hybrid system with RTGS and ACH.	-	2.17	2.17	-	1.56	1.56
	2. Implementation of upgraded Central Securities Depository – CSD system	0.86	-	0.86	0.62	-	0.62
	3. implementation of Swift Gateways, connectivity and integrations with core banking, ATS and CSD	-	0.43	0.43	-	0.31	0.31
	4. Technical Assistance/Payment Expert to support the Integration of financial market infrastructure	-	0.21	0.21	-	0.15	0.15
5. Upgrade of Datacenter IT infrastructure	1. Upgrade of LAN, Datacenter, Storage facility and Disaster recovery center	0.86	-	0.86	0.62	-	0.62
	2. Installation of UPS and Generators for Data Center	0.54	-	0.54	0.39	-	0.39
	3. Desktop computers and upgrade of OS to support the national payment system	0.32	-	0.32	0.23	-	0.23
4. Project Management	1. Retain the EAC Core Project Team/Project Implementation Unit (PIU)	-	1.00	1.00	-	0.72	0.72
	2. Logistical support and operation cost for the Core Project Teams at the EAC and the BSS	0.05	0.22	0.22	0.04	0.16	0.20
Total Project Cost		2.63	4.03	6.66	1.90	2.90	4.80

Project cost TSF Pillar 1 by category of expenditure (in million USD/UA)

CATEGORY OF EXPENDITURE	(US\$ Million)			(UA Million)			% Total cost
	Local	Foreign	Total	Local	Foreign	Total	
A. GOODS	-	2.58	2.58	-	1.86	1.86	98%
B. SERVICES	-	-	-	-	-	-	0%
C. OPERATING COSTS	-	0.05	0.05	-	0.04	0.04	2%
Total Cost		2.63	2.63		1.90	1.90	100%

Project cost Regional Operations by category of expenditure (in million USD/UA)

CATEGORY OF EXPENDITURE	(US\$ Million)			(UA Million)			% Total cost
	Local	Foreign	Total	Local	Foreign	Total	
A. GOODS	-	2.17	2.17	-	1.56	1.56	54%
B. SERVICES	-	0.64	0.64	-	0.46	0.46	16%
C. OPERATING COSTS	-	1.22	1.22	-	0.88	0.88	30%
Total Cost		4.03	4.03		2.90	2.90	100%

⁷ Including the contingencies

⁸ 1UA = 1.38825 USD as of 31st March, 2019

BOARDS OF DIRECTORS

Resolution N° B/[●]/2019/[●] - F/[●]/2019/[●]

Adopted by the Boards of Directors of the Bank and the Fund, on a lapse-of-time basis, on [●] 2019

Multinational: Grant to the Republic of South Sudan from the resources of the Transition Support Facility, to finance part of the costs of the East African Community - Payment and Settlement Systems Integration Project – South Sudan (EAC-PSSIP)

THE BOARDS OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Articles 1, 2, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (iii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (the “ADF-14”); (iv) the Operational Guidelines for the Implementation of the Strategy for addressing Fragility and building Resilience in Africa and for the Transition Support Facility (the “TSF Operational Guidelines”); (v) the Guidelines for the Financing of Multinational Operations; (vi) the Strategic and Operational Framework for Regional Operations; and (vii) the appraisal report contained in document ADB/BD/WP/2019/166/Approval- ADF/BD/WP/2019/112/Approval (the “Appraisal Report”);

RECALLING:

- (i) Resolution N° B/BD/2008/05 - F/BD/2008/03 approved by these Boards on 28 March 2008 establishing the Fragile States Facility;
- (ii) Document ADB/BD/WP/2014/46/Rev.2 - ADF/BD/WP/2014/30/Rev.2 entitled “Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014 – 2019”;
- (iii) Document ADB/BD/WP/2017/175 - ADF/BD/WP/2017/123 as well as its corrigendum entitled “Fourth Cycle Assessment of Eligibility for Countries to the Transition Support Facility (TSF) Supplemental Support Funding (Pillar I) Resources” which confirmed, *inter alia*, the eligibility of the Republic of South Sudan (the “Recipient”) to receive financing from the TSF Supplemental Support Window (Pillar I); and
- (iv) Resolution N° F/Z1/2012/63 adopted by the Board of Directors of the Fund on 5 December 2012, approving a grant to the East African Community (the “EAC”) from the resources of the Fund, of an amount not exceeding the equivalent of Fifteen Million Units of Account (UA 15,000,000) to finance part of the costs of the EAC - Payment and Settlement Systems Integration Project;

DECIDE as follows:

1. To award to the Republic of South Sudan (the “Recipient”), from the resources of the TSF Supplemental Support Window (Pillar I), a grant of an amount not exceeding the equivalent of One Million, Nine Hundred Thousand Units of Account (UA 1,900,000) (the “Grant”) to finance part of the costs of the EAC - Payment and Settlement Systems Integration Project – South Sudan (EAC-PSSIP);

2. To authorize the President to conclude a tripartite protocol of agreement amongst the Bank and the Fund, the EAC and the Recipient (the “Protocol of Agreement”), on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund, the TSF Operational Guidelines and the Appraisal Report;
3. The Grant will be disbursed directly to the EAC as the Project Executing Agency;
4. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by these Boards; and
5. This Resolution shall become effective on the date above-mentioned.

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/[●]/2019/[●]

Adopted by the Board of Directors on a lapse-of-time basis, on, on [●] 2019

Multinational: Grant to the Republic of South Sudan to finance part of the costs of the East African Community-Payment and Settlement Systems Integration Project - South Sudan (EAC-PSSIP)

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (the “ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations; and (vi) the appraisal report contained in document ADB/BD/WP/2019/166/Approval - ADF/BD/WP/2019/112/Approval (the “Appraisal Report”);

RECALLING Resolution N° F/Z1/2012/63 adopted by this Board on 5 December 2012, approving a grant to the East African Community (the “EAC”), from the resources of the Fund, of an amount not exceeding the equivalent of Fifteen Million Units of Account (UA 15,000,000) to finance part of the costs of the EAC-Payment and Settlement Systems Integration Project;

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the Republic of South Sudan (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Two Million, Nine Hundred Thousand Units of Account (UA 2,900,000) (the “Grant”) to finance part of the costs of the EAC - Payment and Settlement Systems Integration Project (EAC-PSSIP);
2. To authorize the President to conclude a tripartite protocol of agreement amongst the EAC, the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The Grant will be disbursed directly to the EAC as the Project Executing Agency;
4. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and
5. This Resolution shall become effective on the date above-mentioned.