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Youth's Financial Inclusion Policy Reform Study

Case Study of Youth in Post and Ongoing Conflict

Blue Nile, North Kordofan and South Kordofan Areas

Yassir Ahmed Hassan Jamie

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Yassir Ahmed Hassan Jamie

ACRONYMS AND ABBREVIATIONS

ABS	Agriculture Bank of Sudan
ABSUMI	Agriculture Bank of Sudan Microfinance Initiative
ATM	Automated Teller Machine
B o K	Bank of Khartoum
BN	Blue Nile
BOU	Bank of Uganda
CBOS	Central Bank of Sudan
CBOs	Community Based Organizations
CPA	Comprehensive Peace Agreement
DDR	Disarmament, Demobilization, Reintegration
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
IDPs	Internal Displaced Persons
IFAD	International Fund for Agriculture Development
ILO	International Labor Organization
ISCOB	Islamic Co-Operative Bank
MDI	Microfinance Deposit taking Institution
MENA	Middle East & North Africa Region
MFI	Micro finance Institution
MFPs	Micro finance Providers
MFU	Microfinance Unit
MFU-CBOS	Microfinance Unit of the Central Bank of Sudan
MOA	Ministry of Agriculture
MOYS	Ministry of Youth, and Sports
NMAID	Nuba Mountains Association for International Development
NGOs	Non-governmental Organizations
NK	North Kordofan
NWEDA	Nuba Women for Education and Development Association
PESTEL	Political, Economic, social, Technology, Environment, Legal
SDG	Sudanese Genaih
SK	South Kordofan
SMDF	Sudanese Microfinance Development Facility

SMEs	Small and Medium Enterprises
SPLM/A	Sudanese People Liberation Movement/Army
SPSS	Statistical Package for Social Sciences
SSDB	Saving and Social Development Bank
SUDIA	Sudanese Development Initiative Association
TOT	Training of Trainers
UN	United Nations
UNDP	United Nation Development Program
UNIDO	United Nations for Industrial Development Organization
UNV	United Nations Volunteers
WB	World Bank
WFP	World Food Program
YMFI	Youth Microfinance Institution

1. EXECUTIVE SUMMARY:

1.1 Introduction and Background:

This study is part of 'Creating Opportunities for Youth Employment' Joint Programme that aims to develop skills and provide livelihood opportunities to the youth (aged 15 to 30 years). The study covers three states of Sudan which are Blue Nile, North Kordofan and South Kordofan. UNDP, with an active participation of the Central Bank of the Sudan, has worked out advisory recommendations for microfinance policy, programmes and institutional capacity in effective means of self-employment. The main objective of this study is to review the opportunities and challenges that face the demand side of the targeted young people, especially women and vulnerable groups in microfinance. It also seeks to review policies, programmes and experiences of service providers to identify successes and failures and lessons learned. The aim is to come up with conclusions and recommendations for improving ways of supporting this segment by reactivating the policies of the Central Bank of Sudan and other partners. Using financial system development approach, descriptive statistic, and reviewing of the secondary data and literature related to the subject, the consultant used different data collection instruments such as the interviews at the supply level and the questionnaire and FGD at the demand levels in addition to feedback workshops.

1.2 The Conceptual Framework of the Study:

The conceptual framework of the study displays issues like inclusive financial services to youth, microfinance in ongoing and post conflict areas, microfinance and MDG, as well as the global experiences in regulating microfinance institutions. The framework basically focused on to what extent the financial inclusions can be as a factor of the quality supply of financial services and its users, in combination with a regulatory framework and client knowledge levels. Access to a comprehensive set of quality financial services - including savings, credit, insurance, and payments - enables clients to increase and manage income as well as be a hedge against financial risk. Within this part of the study, the consultant tried to show that youth's financial inclusion requires long term commitment and adequate microfinance capacity. It also requires the involvement of experiences and/or organization that are aware of both microfinance best practice and youth issues. As focus is on microfinance regulator in Sudan, the study tries to pane over the global experiences that succeeded because of the encouraged NGOs to expand in microfinance particularly in ongoing and post conflict areas. This refers to the usual experts opinion stated that microfinance is appropriate only in politically and economically stable environments. Therefore when period of stability become vague, as in the case of areas of this study, the ideal would be to work on securing a practice that maintains microfinance operations during and after the conflict in these areas.

1.3 PESTEL Analysis:

As the environmental analysis is important for any strategy, the study includes PESTEL analysis for Sudan and the three targeted areas. Economically, the study tries to focus on the expected changes to the worst scenario that will occur within the macroeconomics after the secession of South Sudan, and the expected opportunities in the target states and how to contribute in redirecting the

macroeconomics to grow again. Socially, the study details the social fabric of the diversified communities and tribes in the three states. Also the study looks into the current and future opportunities of the natural and legislative environments in the three states which can better serve the microfinance.

1.4 The Financial Inclusion in Sudan:

The financial inclusion part, give a brief review about the current status of the financial services in Sudan including banking and nonbanking institutions, specifies the size and underdeveloped situation compared to the regional standards. It also reviews the microfinance services in Sudan and when it was endorsed. It gives a brief about the MFU-CBOS roles and efforts in developing this sector, the major achievements realized d up to now, and the main pillars of the organization and regulatory framework of microfinance.

1.5 Demand Analysis:

Youth are defined by the range of age groups. The United Nations and the World Bank (WB) consider the population aged between 15 to 24 year as youth. In Sudan 25% of the population is in age range of 15 to 30 years. This was stated by the fifth national census, which also reveals that the age group below 34 years constitutes 61% of the country's population. This means that the majority of the population is young. In Blue Nile and South Kordofan States, where the war lasted for 15 years, the education process for most children was disrupted, while in North Kordofan State, it was dislocated by different constraints including lack of drinking water, desertification, the frequent famines and lack of food during 1984, 1990, and 2008. This was coupled with lack of basic education infrastructures. Youth in Blue Nile and South Kordofan can be classified into three categories: young graduates returnees, deprived youth of the basic education, and /or vocational training and young ex combatants. Youth work at the beginning of their lives in the agricultural. However, as this economic activity is facing challenges, the youth started moving to urban centers. Women in their early ages are employed to work in the family run agriculture activities, thus increasing the fathers' incomes; and thus help meet the education and health needs of the family. During youngest ages of youth, 20 years and below, young people who constitute 71% of the sample are working with others and outside the family control. Women particularly in the ages between 21 to 30 years depend more on savings as a mechanism to cover the financial needs and shortages. But men in the same ages meet such obligations depending on others including peers, neighbors, relatives, etc. Young people interviewed perceive the complication of the service delivery as the most critical, 29% women and 34% men. The second difficulty that follows is unsuitability of collateral and the amount set determined in microfinance provided to asset owning.

The commercial and traditional lending system provide a number of financial services, particularly given the lack of the proper services, and consider to be one of the crucial competitors of the

formal microfinance providers. The two main dominant traditional systems in the three states are the Estigrar and Shail. The former is an urban-based system while the latter is a rural-based system. These services also are not accessible to youth, particularly the women. Usury, high profits and losing opportunities, are the main challenges that face youth when they deal with the commercial and traditional lenders. Meanwhile when the service meets the requirements, only the fortunate persons would get it. Time and place are the in the advantage of the commercial and traditional lending system over the formal banking services.

Saving is considered the one face of the coin, while borrowing is the other face. Savings are similar to loans. They cover the youth financial needs such as the need for accumulating working capital and for covering the shortage of income and finance (children and health and the family and social welfare). Savings tools differ and include Khatta, in house, with others, in kind using traditional storage system or stores, etc. However, Khatta (rotating merry-go-round) is most used saving tools by women and men group. Obviously different challenges are facing the youth who adopt the traditional savings' tools however savings are subjected to loss in conflict areas. Other services like transfers and insurance are out of reach of the youth.

1.6 Supply Analysis:

The supply side in the three states is diversified and has multiple types of microfinance providers including banks; Government funds; intermediary institutions; NGOs; and commercial and traditional lenders. The availability and density of these actors varies from one State to the other. The Presence of formal institutions like banks is increasing in the stabled areas whereas the NGOs presence is increasing in the conflict areas. Banks initiated and stepped forward to provide microfinance, in spite of their commercial nature, mandates, and weak capacities. In this context, the Central Bank of Sudan through its microfinance strategy, policies and directives and its generous support to the sector assisted banks to lead this step. The weakness, from which the banks suffered in their institutional and human capacities to reach the target customers, is considered the major critical challenge. Banks deal with easy conventional practices using Murabahah, in short term loans, by conventional collaterals; in spite of the demand potentiality and competitive features of each area. The existence of effective and efficient intermediary organizations and NGOs in the future will provide a revolutionary change in the lifecycle of the microfinance industry in Sudan. However, the registration of the CBOS is the most critical challenge to NGOs, due to the minimum capital requirements determined by CBOS, the complaints from the lack of transparency in dissemination of information and the long time and efforts consumed to secure the final approval and the license from the Central Bank of Sudan. Moreover, NGOs suffer from lack of coordination, due to lack of microfinance network in Sudan.

1.7 Recommendations for Better Legislations, Strategies, Programmes, Policies and Supervisory Regulation:

These recommendations address the following:

1. Legislations and Policies Recommendations:
 - Regulations for NGOs easy integration
 - Product delivery policies
 - Better segmentation policy

2. Recommendations for Strategies Reform:
 - Commercial and traditional lending system lessons learnt
 - Making Saving the Best Tools for youth
 - Inclusion of Micro-Transfer and Micro-Insurance Services
 - Introducing NGOs as a good in Financial Intermediation
 - Change SMDF Strategies

3. Recommendations for Programmes Development:
 - Capacity Building Programmes
 - Product Development by Sub-Segmenting Programmes
 - Opportunities for Younger Ages and Women in Agriculture Sector Programmes
 - Better Perceptions about Bank Services and Easy Deal Programmes
 - Upgrading Programmes for Non Financial Services Inclusion
 - Training and Capacity Building Programmes

- 4. Special recommendations to Blue Nile State:**
 - NGOs Capacity buildings, and support the formation of microfinance network at the state level,
 - Provide the required technical assistance to upgrade the NGOs institutional capacities by mapping the potential and current qualified one, providing grants, training courses according to their special needs, and data needed to outreach, and facilitating the licensing and registration procedure as a service providers.

- 5. Special recommendation to North Kordofan State:**

Support the NGOs and financial intermediations bodies through:

 - Developing capacities to bridge the gap between the banks and the youth base organizations.
 - Enhancing their ability to reduce the overhead cost
 - Developing information technology systems that include youth data, investment map, marketing data, etc.

6. Special recommendation to South Kordofan State:

7. Other Supportive Recommendations:

- National MSMEs Development Agency
- Recommendations for States' government to support MSMEs marketing

1.8 Recommendations for Policy Integration into the National Youth Development Plan:

These recommendations include the following:

1. Recommendations for Development of Integrative Strategies:
 - Redirecting the role of Ministries of Youth and Sports
 - Establishing Youth Employment Commission
 - Incorporation of Microfinance in education curricula
 - Creating conducive environment to voluntary NGOs:
 - Building smart partnership
2. Recommended Programmes:
 - Youth segmentation and mapping programme
 - Activation of specialized youth financial inclusion programmes

2. INTRODUCTION AND BACKGROUND:

2.1. Creating Opportunities for Youth Employment Joint Programme:

“Creating Opportunities for Youth Employment in Sudan’ is Sudan UN Joint Programme that is implemented by eleven UN Agencies and their seventeen relevant national counterparts. The Programme aims to develop skills and provide livelihood opportunities to the youth (defined age between 15-30 years) targeting Blue Nile, North Kordofan and South Kordofan States.

UNDP, as participating agency in the JP is leading a number of complementary interventions, part of which is to promote for an enabling environment for increasing youth employment in Sudan in close collaboration with its main partner Microfinance Unit of the Central Bank of Sudan MFU-CBOS through developing technical implementation guidelines to improve the access to finance by Youth at Khartoum- and state-level in order to mainstream the interests, potential and needs of youth in relevant economic policies.

Microfinance can be a critical element of an effective strategy for providing appropriate youth financial services that help to increase their income and smooth consumption and saving flows. This will eventually enable youth to expand their asset base and reduce their vulnerability to the external shocks brought by the war and other natural disasters which often are encountered in the target states. Experiences have revealed that the availability of financial services acts as a buffer against sudden emergencies, business risk, and seasonal slumps that can push youth into destitution. More and better financial services specifically geared towards vulnerable groups including the young women can help them move from everyday survival to planning for the future, investing in better nutrition, improving their living conditions, children's health and education.

Both the MFU-CBOS and UNDP consider that employment opportunities among youth could be created through self-employment in livelihood / income generating projects and by starting and expanding micro and small enterprises. However, development and growth of micro and small enterprises are hindered by a number of factors. One of which pertains to availability and access of funds to finance capital required to start or expand livelihood projects / enterprises and other financial services including saving, insurance and transfers.

2.2. The Objective of the Report/Study:

The purpose of this consultancy is to:

- Identify the needs and constraints that face youth, women and vulnerable groups, in particular, in accessing inclusive financial services.
- Review the available micro finance services and programs to identify the gaps and constraints, particularly in South Kordofan, North Kordofan and Blue Nile.

- Recommend a suitable and appropriate strategies, programs, guidelines and delivery mechanisms to get better conducive environment that support youth for inclusive financial services in South Kordofan, North Kordofan and Blue Nile.
- Recommend appropriate micro and small-finance policies, strategies, programs, guidelines and delivery mechanisms for the purpose of policy integration in the National Youth Development Plan.

2.3. The Importance of the Study:

Youth need access to a range of services to build their capacity, including finance. A new holistic framework is now advocated by youth specialists focusing on three interlinked domains expanding access to resources, increasing opportunities for employment, and investment for youth development. In this framework, microfinance is considered under the domain of expanding access to financial resources through the provision of credit and savings products and, in a few programs, through insurance. Recent experiences from youth development programs show that finance is a major constraint for youth to increase their employability, including self-employment¹. This consolidates its importance since it outlines the current practices, the learning process and the relevant issues for further examination on the best way to serve youth in conflict and post conflict situations with microfinance. However, serving youth with microfinance is challenging and yet extremely difficult particularly in the conflict affected areas, such as the targeted states due to the tremendous effect of war, famine and drought in spite of their rich natural resources. This study pinpoints the appropriate direction and correct intervention that helps the policy makers, the microfinance providers and other to realize that microfinance practices in post conflict and ongoing conflict areas in Sudan distinctively vary of the microfinance usual practice in non conflict areas of Sudan. It also points out the further procedures that should be applied such as:

- Additional training, preparation and counseling is advised in addition to financial services
- Longer time period is essential for microfinance programs to attain scale and viability.
- Deposit services are especially important.
- Strict donor requirements for special targeting of youth with microfinance in conflict situations can be an appropriate intervention.

2.4. Methodologies and Approaches of the Study:

2.4.1 Introductory Steps:

Introductory steps conducted to develop the plan and the organization structure of the study using participatory method including UNDP official personnel, MFU-CBOS director, the programme coordinator from UNIDO and the coordinator of the National Programme for Youth Job creation Project. (See the inception report annexed).

¹ Geetha Nagarajan, Microfinance, Youth and Conflict: Emerging Lessons and Issues, March 2005

2.4.2 Qualitative Primary Data Collection and Analysis Plan:

Financial Systems Development Approach:

1. A participatory, but focused, review and in-depth discussion for the characteristics of the demand-driven youth segment including special specifications for the market sub-segments of women and vulnerable groups, rural and urban, the different lending patterns for both individuals and groups, saving and credit service product lines, etc). This was achieved through conducting interviews and focus group discussion with selective groups including some of the market-led sub-segments for rural/urban groups, bank clients, women, vulnerable groups etc
2. The approach in parallel reviewed and assessed also the microfinance providers from formal and informal sectors as a supply-driven side. This included the business support infrastructure for these providers (e.g. strategies and programme; capacity to innovate and get better use of information technology tools, marketing and segmentation capacity, etc), activities and products, sustainability and profitability factors.
3. Relationship between NGOs and CBOs as intermediary organizations has been reviewed to understand their current and future situation and investigate the role they could play to support and participate in energizing the link and help to create an effective demand (their role to train and raise the demand capacities, legal and formal identity, ability to localize and customize the international microfinance best practice into appropriate deliverable services to local customers, present and future programmes, their outreach and efficiency, advocacy and lobbying issues needed by microfinance networks).
4. Review and assess the enabling financial and monetary environment at macro-level. This embraces policies, legislation and regulation pertaining to or affecting the microfinance industry. Focus was made on development of the newly endorsed policies and regulations by the CBOS and the ways, tools and programmes were examined for making them more effective. Those were reviewed with the States' stakeholders at the state level and their feedbacks were incorporated within the other partners. All these reviews were carried out through participatory feedback workshops and interviews with the concerned stakeholders at State and federal levels.
5. Gone through PESTEL trend analysis approach to review and evaluate the present and future opportunities and challenges that face both the demand and supply sides of the different youth segments.

Data Collection and SPSS Analysis:

The consultant used questionnaires to collect data from the targeted demand side to investigate the following elements:

- Trends in production sectors that employed the target segments.
- Related gender differences to other dependence factors like the production sector, the different financial services, the traditional lending system, the method of savings, etc.

- Related differences in ages by other dependent factors like production sector, perception towards banks, traditional lenders, etc.
- Enquiries to understand the youth perceptions towards the available formal and informal financial services.
- 217 cases were interviewed in the three states including rural and urban sites

2.4.3 The Secondary Data Searched & Gathered:

1. Banks and government departments' annual reports, official documents, etc.
2. Related statistical data and reports conducted in the area of microfinance, youths, the targeted States.
3. The available and accessible literature written on the related subjects at the region and globally.

2.4.4 The Research Limitations:

1. The scarcity of similar literature inside Sudan or abroad as the youth microfinance in conflict areas is a new subject that has just started attracting researchers.
2. The unavailability of numerical data from the banks on the three states
3. Absence of microfinance surveys and study done in these states.

3. THE CONCEPTUAL FRAMEWORK OF THE STUDY:

3.1 Inclusive Financial Services for the Youth:

Financial inclusion could be defined as the quality supply of financial services to all who could use them, combined with a regulatory framework and client knowledge levels that enable the safe and informed use of those services. Access to a comprehensive set of quality financial services- including savings, credit, insurance, and payments-enables clients to increase and manage income as well as shield against financial risk. At the micro level, this means individuals and households could have better consumption, build assets, and withstand financial shocks. At the macro level, countries that have deeper financial markets have experienced faster income growth and reductions in income inequality for the poor. As a result, building inclusive financial sectors and “banking the unbanked” have become a development priority in recent years. Efforts at expanding financial inclusion have been focused on the poor and marginalized sectors, as client groups have historically had less access to quality, formal financial services. In some of the world’s poorest nations, the proportion of adults with access is below 20%. While very little core data are available for youth under 18, it could be inferred that their access to financial services would be even lower due to the higher barriers they face. These include laws in many countries that prevent minors from undertaking financial transactions; less opportunity to learn how to use financial services; and more limited mobility than adults do, impeding physical access to service points².

Microfinance for youth is a complex activity requiring long-term commitment and adequate microfinance capacity. Several failed programmes indicate that the involvement of experienced MFI/NGO and/or organizers, who are aware of both microfinance best practice and youth issues, is critical for the success of the programmes³. Around the world, experiences showed some examples that in Nepal, around 47% of the economically active total population is out of work, and half of this unemployed population is youth. Youth are dependent on household heads. They are unable to engage in self-employment though they have courage. Many conflict related studies have found that exclusion of youth engagement in economic activities is one of serious reasons behind emerging of the 12 years long armed conflict in Nepal⁴. In addition to the different trails experienced by different stakeholders involved in providing microcredit, research and experience to date, suggest that savings account for low-income youth may be a high-leverage tool to achieve both youth development and financial inclusion objectives⁵.

Asset-building theory posits a two-part argument in favor of asset accumulation as a means of poverty alleviation. First, accumulation of assets is a key to economic development of poor households. For the vast majority of households, the pathway out of poverty is not through

² Youth savings in development country, May 2010

³ Geetha Nagarajan, Microfinance, Youth and Conflict: Emerging Lessons and Issues, March 2005

⁴Udaya Laxmi Pradhanang, Youth and Children Inclusiveness In Micro-finance & Livelihood , Himalaya Country Office Nepal Program- Save the Children US

⁵ a report of the youth save consortium Youth Savings in Developing Countries- Trends in Practice, Gaps in Knowledge - may 2010

consumption but saving, including the accumulation and subsequent investment of those assets. In addition, at the time people begin to accumulate assets, their thinking and behavior changes. Accumulating assets can lead to important psychological and social effects that are not achieved by receiving and spending income alone. The impact of the accumulation and ownership of assets, commonly referred to as “asset effects,” can influence the current and future well-being of an individual or household in a variety of ways⁶.

3.2 Microfinance in Ongoing and Post Conflict Areas:

Usually experts’ opinions state that microfinance is appropriate only in politically and economically stable environments. Events in the world since the early 1990s have brought about stunning and sudden changes in the political and economic systems of entire regions⁷ In Sudan so many areas conflict appears to be widespread, with periods of stability punctuated by violence as is happening in South Kordofan. In others words, stability is altogether vague. In this case, there is need to ponder on how to secure the type of practice that maintains microfinance operations during or after a conflict. To ensure that target communities are being called on more frequently to provide economic development and peace building opportunities. The question to be answered is, “How could we make microfinance work not only in post conflict time, but also in the absence of peace and stability?” furthermore, the second case we are looking for, that up to now the signing of the Comprehensive Peace Agreement (CPA), between the Sudanese government and Sudan People’s Liberation Movement/Army, Jan. 2005, meant an end to a long and destructive armed conflict and paved the way for a long recovery process for the states (the Blue Nile state). Now that peace has been achieved, returnees who had fled their communities and ex-combatants who had left their communities and joined an army or a militia group need to re-settle and economically reintegrate into their communities. Economic reintegration of households into their communities is a long and challenging process and is perceived to be achieved through restoring livelihood activities, such as, rebuilding agriculture and livestock sectors, as well as, other economic sectors. Such a goal can only be achieved through the collaborative efforts of all stakeholders⁸. North Kordofan by a way or another is affected by two conflict areas (Darfur and South Kordofan), as it receives more displaced persons who are settled and share the resources with the resident populations. In addition, some indicators like unemployment, lack of social services, and marginalization factor may lead to a yet third conflict in the region. This is what the study will try to proof and provide certain recommendations that enable the different stakeholders to appropriately adjust their policies, strategies and programme. Clearly, post-conflict environments are suffering from a lack of financial capital, infrastructure, and functioning relationships⁹. Experiences from post-conflict environments show that increases in social capital and community are possible as a result of microfinance. In

6 Youth Savings in Developing Countries, Trends in Practice, Gaps in Knowledge, a report of the youth save consortium, May 2010

7The NETWORK SEEP PROGRESS NOTE, A publication of The Financial Services Working Group, Conflict and Post-conflict Environments: Ten Short Lessons To Make Microfinance Work

8 Policy Assessment, Consultancy & Training (PACT), Khartoum, Sudan Reintegration Opportunities Mapping For Ex-Combatants in Blue Nile State - Joint DDR Commission & UNDP DDR Unit

9Meissner, Laura K., Microfinance and Social Impact in Post-Conflict Environments

Angola, for example, “people actively seek association with others, perhaps in reaction to the damage caused to civil society by mass migration.¹⁰

3.3 The Role of NGOs in Ongoing Conflicts:

The expected role of the financial intermediary organizations will be crucial in the situation of the ongoing conflict because microfinance in such conditions requires certain abilities on:

- How to build a service that focuses on the client's security and work with trusted institutions.
- How to adjust product design and delivery to deal with instability and disruptions;
- Share information, cooperate and collaborate with stakeholders;
- Develop human resources and ensure staff safety and easy way to communicate efficiently.
- Maintain portfolio quality with strong information system to monitor payments on a daily basis.

3.4 Microfinance and MDG:

There are a number of ways through which SMEs may affect economic growth: new market and product development; innovations in product or management processes; stimulating competition; and knowledge¹¹. This can positively contribute in poverty reduction process. It could be possible, if integrated by responsive actions to the lack of access to equity capital in low-income communities, public policymakers, nonprofit and private investors, to provide equity financing to low-income entrepreneurs. The core issue around poverty outreach is how a social performance agenda defined in poverty terms should be realized. The unsurprising answer is that MFIs should direct their financial services portfolio to households that are defined as poor. That is, the selection of households with specific characteristics that correspond to a MFI's social mission¹². This is challenged by the ability of the microfinance providers to trade-off between the social mission of the microfinance provider and the burdens of the expenditure need to be spent to run their businesses in a profitable and sustainable manner. The study will go through how these costs may even be outweighed by improvements in product design and service delivery. However, it is well known that targeted influence activities and many MFIs have certainly been persuaded to focus their activities on the financial sustainability goal despite their avowed commitment to poverty outreach. Further discussion will continue within the context of the study to reach to reasonable recommendations

¹⁰ The last source.

¹¹ Small & Medium Enterprises SMEs Committee report, Affinity Group on Development Finance Report, Ford Foundation, USA

¹² Martin Greeley, Microfinance Impact and the MDGs: The Challenge of Scaling-up- March 2006

4. PESTEL ANALYSIS:

4.1 Political:

After almost 20 years of civil war between the North and South of Sudan, peace talks gained momentum in 2002-2004 with the signing of several accords. The final North/South Comprehensive Peace Agreement (CPA), signed in 2005, granted the southern rebels temporary autonomy after which a referendum for independence was held and the South of Sudan is now the 197 member within the UN family. This situation left the Blue Nile and South Kordofan in a situation of uncertainty as to what would happen in the future. It was not also clear what type of government system would be applied in those regions after the much-awaited popular consultation has taken place. . Another separate conflict, which broke out in the western region of Darfur in 2003, has displaced nearly two million persons and caused the death of an estimated 200,000 to 400,000 people. The UN assumed the command of the Darfur peacekeeping operations from the African Union in 2007. Sudan also has been receiving huge refugee influx from neighboring countries, particularly from Ethiopia and Chad. Armed conflict, poor transport infrastructure, and limited support from the government have continually affected provision of humanitarian assistance to the affected populations.¹³

4.2 Economic:

Sudan is the largest and the most diversified country in Africa and Middle East region (MENA). The country embraces many climatic and ecological zones. Diversity is also reflected in its people; the total population amounts to 42.3 million (source: World Bank). The targeted States (the Blue Nile, South Kordofan and North Kordofan) represent 17% of the total northern states population (according to the 2008 census).

Given Sudan's size and the natural resources available in these states -compared to other northern states- they are thinly populated. The conflicts left many parts of the country, particularly the target States, with very limited capacity, weak institutions, inadequate and decaying physical infrastructure as well as an eroded shattered human capital. Sudan's per capita income (including oil) rose from \$506 in 2003 to \$1,294 in 2009. However, this would change after the separation of South Sudan in July 9 2011. ¹⁴¹⁵The Sudanese Economic growth showed within the last ten years a booming situation, but it is expected to slow down drastically, when most of the oil resources being moved to the new nascent State, South of Sudan. Sudan currently has a large external debt burden and significant arrears to international creditors. The total foreign debt in nominal terms stands at US\$35.7 billion at end-2009, with over US\$30 billion in arrears¹⁶. So the Sudanese on the Northern States will be faced by the new low per capita income structure. In addition to the special case of

¹³ Marianne Moukhtara & Kwamena Aidoo, Sudan Report, 2009

¹⁴ The Central Bank of Sudan reports

¹⁵ The Central Bank of Sudan reports

¹⁶ IMF World Bank and IMF Hold Joint Technical Workshop on Sudan's Debt Issues Press Release No. 10/487 December 13, 2010

the areas affected by ongoing and post conflicts, where the target States are part of them. War whether before the CPA or after causes huge damage and loss in the properties and assets of working capital for the resident population in these areas. It further more causes instability within their business and livelihoods activities. However, the present attained peace could make leverage and add value to potential capabilities to grow. These capabilities are more attainable in the target States, namely in the agriculture sector, the most affected sector. This sector is ironically the one that has the potential to positively participate in addressing the economic slowdown, when and if microfinance is used to develop it. At micro-levels economy, the situation is disrupted by the following:

- The disruption of normal social structure which is coupled with the disruption of production and destruction of human, social, physical, financial and natural capital. Death and disabilities have also changed household structures.
- The instability for the individuals, particularly with regards to ex-combatants, who may not abide by the rule of law, resulting in increasing cases of theft, cheating and corruption, making households more vulnerable to further asset loss and reducing the opportunities for compensation.
- Negative socio-Economic Impacts including:
 - Inadequate food supply due to a fall in agricultural production because of insecurity, lack of inputs and landmines.
 - Rapid growth in the informal sector and petty trading activities due to a lack of other opportunities.
 - Higher levels of market activity in urban areas because of their lower intensity of conflict and more monetized economy because of the intensive presence of NGOs and UN agencies.
- chaotic Macro-Economic situation including:
 - Slow economic growth.
 - Spiraling inflation due partly to an influx of donor funds.
- Uncertain Political Situation resulting from remnant of pockets of conflict and the oscillation between conflict and peace, which brings in uncertainty and makes it difficult for people to make learned future planning.

4.3 Social:

Sudan's name comes from the Arabic "billad al-Sudan", or land of the blacks. Arabic is the official language and Islam is the religion of the state. Nevertheless, the country has a large non-Arabic speaking and non-Muslim population (8.26 million)¹⁷. The major languages include Arabic and Nubian, and major religions include Islam and Christianity. Life expectancy for men is 57 years, while for women it is slightly higher at 60 years. The three-targeted States have diversified fabric tribal communities from different origins, exceeding a hundred tribes.

¹⁷ Sudan Watch, 2009 figures

4.4 Technological:

One potential remedy for the limited reach of microfinance in Sudan may lie within the mobile phone industry. While microfinance currently coverage is still in the infancy stage, or is not accessible particularly to the target States, Sudan's mobile phone network covers 70% of the population, including the poor. The Central Bank of Sudan's Microfinance Unit realizes the potential of mobile banking, already an effective vehicle of microfinance in other countries (e.g. MPESA in Kenya and WIZIT in South Africa.¹⁸ Khartoum is equipped with well laid out internet and GSM telecommunication systems, with wide bandwidth and fast internet connectivity. This infrastructure provides a good backbone for the development of mobile phone banking technology. Mobile phone banking significantly reduces the cost of financial service delivery, specifically reducing the cost of having to set up full complement brick and mortar branches in remote areas and more safety and secured tools that can be used by the clients on the ongoing and post conflict areas. Therefore, there is a large potentiality that information technology systems, including mobile phone banking, will play a major role for youth to get better accessibility and inclusion. Mobile technology in concert with adequate financial management solutions enables a financial institution to widely expand its outreach in terms of geography, but also in terms of reaching poorer clients profitably, by massively reducing cost. Thus, mobile technology has the potential to massively increase outreach to remote and poor clients through a profitable business model. Extending the outreach of financial services to the un-banked/underserved/areas such as the target area affected by conflicts, and it will be more applicable to the youth who normally tend to save in as a secured and trust place to accumulate capital and grow rather than borrow.

4.5 Environmental:

Sudan's rainy season lasts for about three months (July to September) in the north while in the targeted states of this study especially Blue Nile and South Kordofan, the rains start in early May/June and last up to five months (June to October). In these States, people rely on the scant rainfall for basic agriculture and many are nomadic, going after their herds, cattle, sheep and camels. The traditional smallholdings lands using traditional rain fed system to cultivate is the dominant farming pattern in three States. The three areas are rich in forestry products. The Forests cove an estimated 120 million Feddans, 44% of which are within the three-targeted States. Exceptionally desertification is a serious problem in North Kordofan. There is also concern over soil erosion. Agricultural expansion, both public and private in the three States, has proceeded without conservation measures particularly on the area dominated by the mechanized farms.

The majority of the rain-fed sector of the traditional crop production existed in these area, which occupied between 31% to-36% of the area cultivated in Sudan, employing more than 55% of the total employed forces in Sudan¹⁹, but the problem of this sector is the small unregistered land

¹⁸ Marianne Moukhtara & Kwamena Aidoo, Sudan Report, 2009

¹⁹ Safieldin, Mohamed, Economic Resource 1988

tenure, subject to the Sudanese Act of Mortgage, that deprives the owners to benefit from financing their operations.²⁰

4.6 Legislative:

The legal system in Sudan is based on English common law and Islamic Sharai'a. Islamic law was implemented in all of North of Sudan as of 20 January 1991. The 2005 Naivasha Agreement ended the civil war between North and South Sudan. In 2006, after the signing of the Comprehensive Peace Agreement (CPA), and as a result South Sudan will be an independent country by July 9 2011 and South Kordofan and Blue Nile will stay as part of Sudan pending the application of an agreed upon system of government. This will have effect on the type of legislations according to federalism system of the government. Islamic banking is based on teachings of Muslim holy book, the Koran, that stands against exploitation and the unjust acquisition of wealth, thus in this banking system there is no interest or usury. The prohibition on interest is founded on the Islamic concept that property or assets are something that must be the result of an individual's creative labor or derived from an exchange of goods or property.

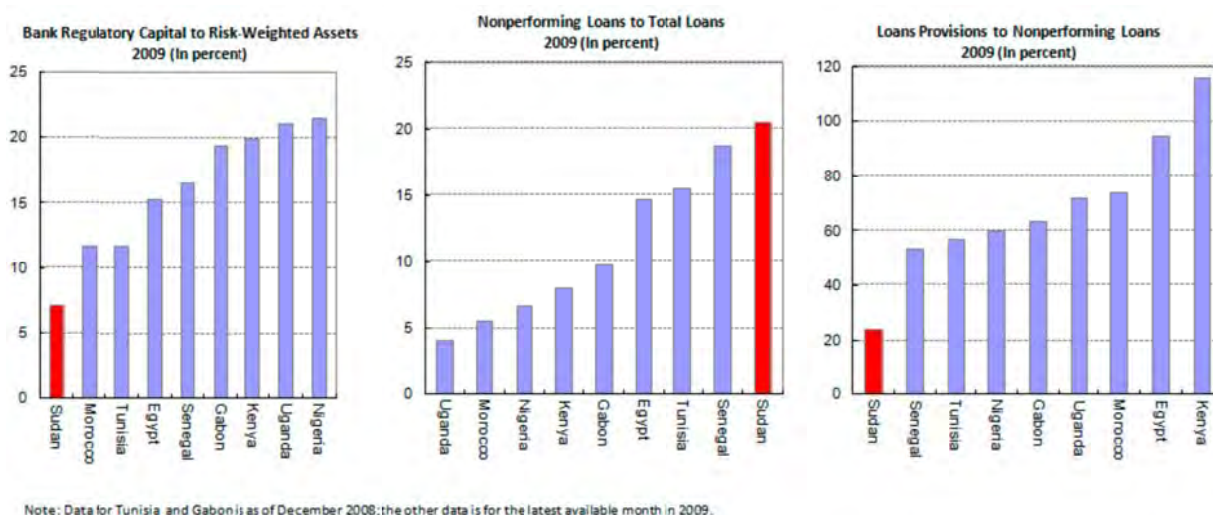
As the result of the strategic vision declared by the Central Bank of Sudan, November 2006, following the CPA's signature, a Microfinance Unit was established and new legislations started to be developed accompanied by heavily sponsored impetus programmes to push the microfinance in Sudan to grow. Different partners including the UNDP, World Bank, provided assistants to MFU to be effective. The current consultancy is part of these efforts. An organization and regulatory framework was finalized 2011, and approved by the Central Bank of Sudan. The main feature of the legislation is that it works to promote inclusive financial systems and supports the growth and development of the financial sector at the bottom of the market. It is an institutional and regulatory framework that is supportive of market-oriented approaches in the delivery of broad based financial services. It is an infrastructure that provides financial institutions with the required human, financial, capital and information resources to deliver effective and sustainable services. Within all these contexts, the Central Bank continuously revises and promotes and encourages them to get assistance from its partners.

²⁰ Jamie, Yassir Ahmed Hassan, Towards banks and microfinance institutions updating mechanisms to access traditional agricultural sector in Sudan – integrating commercial and traditional credit model

5. THE FINANCIAL SERVICES IN SUDAN:

5.1 The Overall Financial System:

Sudan's financial system has steadily been growing, but remained relatively small by regional standards. The banking sector comprises 32 banks, including 5 foreign and 4 state-owned banks. Deposits and credit to the private sector have doubled during 2005–09. Nonetheless, their ratio to GDP stood at 16 percent and 12 percent, respectively, by the end of fiscal 2009. Although both soundness and efficiency indicators are generally weaker than in other countries of the region, they differ widely across banks. Sudan remains under-banked, with banking and other financial institutions concentrated in Khartoum. Competition in the sector is reduced by the large presence of public banks. Public banks account for about 50 percent of total banking sector assets. A phased divestiture of the public sector share in the sector would help create healthier competition and improve the financial system. Systemic risk is limited due to the small size of the sector and low level of intermediation. However, nonperforming loans (NPLs) are high and provisioning is low.²¹



Non-bank financial institutions and markets are very small and underdeveloped. These institutions and markets could play an important role in the mobilization of savings and allocation of investments. There is a clear need to modernize the insurance sector, develop the thin securities markets, and promote microfinance institutions. In this regard, it would also be crucial to develop the prudential framework and supervisory skills specific to these institutions.²²

5.2 Microfinance in Sudan:

The Government endorsed microfinance as a crucial component of its financing strategies on poverty alleviation. In 2006, CBOS declared its strategic vision, which it stated as, aimed to: "facilitate

²¹ Sudan: Article IV Consultation—Staff Report; Debt Sustainability Analysis; Staff Statement; Public Information Notice on the Executive Board Discussion; Statement by the Executive Director

²² Sudan: Article IV Consultation—Staff Report; Debt Sustainability Analysis; Staff Statement; Public Information Notice on the Executive Board Discussion; Statement by the Executive Director

sustained access to financial services for the economically active poor in rural, semi-urban and urban areas by expanding and developing the microfinance sector in a cost-effective, gender sensitive and sustainable manner"²³.

5.2.1 Brief about MFU-CBOS:

The existence of the well-empowered microfinance unit, established a dedicated Microfinance Unit (MFU) in March 2007, ensured the possibility of implementing the vision adopted, however, there are challenges:

- The adoption of the suitable regulatory framework for microfinance, parallel to the creeping commitment and progress to the sector development and the different situations that exist in the Sudan; whereas the unit has now succeeded in endorsing the current organization and regulatory framework in 2011.
- The development of the policy and implementation guidelines along with licensing requirements and reporting formats; that include the annual Central Bank of Sudan policy, the different directive circulars to the banks, the collateral study and circular encouraging microfinance providers (MFPs) to use more non-conventional collateral types, etc.
- The establishment of Microfinance Development Facilities SMDF, as one of the important pillars for the implementation of the strategy.
- The huge financial support programme, i.e. investing the equivalent of more than \$100 million for microfinance in wholesale lending and technical and institutional support to microfinance providers.
- The coordination between all microfinance stakeholders in the Sudan, in addition to the international links and contacts on behalf of the Central Bank and Sudan.
- The unit is working on conducting microfinance-training courses since 2007. The unit contracted with Frankfurt School of Finance & Management and the Sudanese Higher Academy for Financial Sciences to work the basic and the advance levels, covering the training requirements to the branch managers and the loan and investment officers.

5.2.2 Organization and Regulatory Framework:

The main features of the current organization and regulatory framework directly related to the study are:

1. Definition of the institution/bank as the area in which it operates:
 - Institutions at the federal level are allowed to operate in all States, including the capitals of these states.
 - Institutions working at the State level are allowed to operate with specific mandate, including at the State capital.
 - Local-level or rural institutions are allowed to operate in the states, excluding the capitals of these States.

²³ UNICONS, Microfinance vision

- The applicant needs a license from the Central Bank as an institution that accepts deposits to be registered as public body, or private company, or any legal entity accepted by the Central Bank of Sudan.
- The applicant needs a license from the Central Bank of Sudan as an institution that takes deposits to be registered as a registered public or private company, credit union, cooperative society, nongovernmental organization, or any established legal entity approved by the Bank of Sudan.
- Accordingly, all cooperatives or non-governmental organizations working in the area of microfinance are not allowed to carry out any activities without obtaining a license from the Central Bank of Sudan. The exception to this rule is informal savings groups established to serve a specific group of membership, as well as NGOs funded by donors only, or Small financial cooperatives financed by members that not exceed the limit of membership specified by the Central Bank.
- Minimum capitals required by the Central Bank for licensing ends are as follows:

Business type	area of operation	Minimum capital requirement in Sudanese pounds
Deposit taking institution	Federal level	20, 000,000
	State level	10,000,000
	Local and rural level	4,000,000
Non deposit taking institution	Federal level	1,000,000
	State level	700,000
	Local and rural level	500,000

- The definition of the microfinance client determines a certain interval of ages. It sets the age of the targeted persons at no less than 18 years of age and not more than 70 years.
- There is a clear directive not to open new branches or agencies, except when approved by the Central Bank of Sudan, which also specifies the type of the branch. This contradicts the general rules of microfinance operations that strongly support different work from what commercial and conventional banks do, using the mobile banking and the Branchless banking system concepts.
- There is a limitation on working hours. The approval of the Central Bank must be secured in case of any change in the hours. This entry must be part of any document approved by the regulator at the Central bank.

6. THE DEMAND SIDE ANALYSIS:

6.1 Introduction and Background:

6.1.1 Introduction:

Youth are defined by the range of age groups. While the United Nation UN and the World Bank WB consider the population from 12 to 24 as youth, the commonwealth countries use 15 to 29 years. Some national governments consider youth up to 39 years old. The Sudanese Youth Microfinance Institution and the Minister of Youth and Sports in the Blue Nile State believe a person will not exceed the age of youth unless he or she is over 46. All this considered within the context of the study. However, even within the age determined by the joint programme, which is 15 to 30, there are so many differences as we could see in the analysis. In Sudan 25% of the population are under the ages between 15 to 30 years, as shown by the fifth national census, while ages below the 34 years constitute 61%²⁴. This means that the majority of the population is under the young category age. In the Blue Nile and South Kordofan States, the war lasted 15 years disrupting the education process for most children²⁵, while North Kordofan State, the education process was disturbed by different constraints, including lack of drinking water and desertification, frequent famines and lack of food, during the 1984, 1990, and 2008. This was coupled with absence of basic educational infrastructure.

6.1.2 Youth in Ongoing and Post Conflict Areas Blue Nile and South Kordofan:

Throughout the interviews and the focus group discussions conducted during the field surveys, it was clear that young persons in the Blue Nile and South Kordofan could be divided into:

Youth Graduates

Youth can be categorized into youth who have studied outside their original home areas, as most universities are in Khartoum. Those new graduates are now returning to their families and they don't have jobs. They suffer from:

- Absence of work chances as they could not apply what they studied at the universities in their home areas .
- They lack the knowledge, skill and experience to manage their own self employed businesses.
- The market is saturated and is characterized with tough competition among service providers, to accommodate any new comers.
- Young male could migrate and move out to other region, matter which is not available for young females.

Youth who lack education

The second category are youth who did not receive any quality education or any other vocational training:

²⁴ Census 2008 statistical data

²⁵ Sudanese Development Initiative & North South consultants exchange, Labour Market Survey, Blue Nile Report, UNDP

- most of these youth hail from rural backgrounds. Their relatives practice agriculture or traditional husbandary activiteis and who lost their wealth during war time. They now suffer from instability and insecurity.
- Their areas lack fundamental basic social services and necessary infrustrcure.
- Large agricultural and grazing areas suffer from mines. Landmines inhibit the movements of the inhabitatnt and reduce the areas of the lands that could be used in agriculture and grazing.
- They are illetrate and lack basic alphabetical skills.
- Some of the youth in the Blue Nile state, had actully lived or were born in refugee camps in Ethiopia. Some have received different educationbased on the Kenyan education curreculams using usingdifferent language other than the ones officially used in the Sudan . They are thus made to suffer linguistic problems and inability to communicate outside the tribal areas.
- As for women in this category, they suffer from many problems, including:
 - working for long period to be able tosupport theirextended family, care for children and agedparents.
 - Some of these young women wsupport kids wholost their parents during and after the war. Those kids lost their parents either by death during wartime or those parents have migrated from the area after they completed their military services and moved out to their home areas leaving those kids behind.

Youth from Warring groups

The third catogory: Youthfrom warring groups past and present:

SPLA forces

Youth who have been in SPLA forces, ex-child soldiers, the majority of which fall within the category targeted by the study:

- They were not missed to be covered by the DDR programmes.
- They lack skills and expertise to work in any productive activities.
- A large number of them suffer physical and mental disabilities.
- They need to receive psychosocial support so as to be integratedin their communities.
- They lack skills as they lived mostly within military barracks.

Popuar Defence Force PDF

- This forcelacks any specification of age group because it is nowseven years since the Comprehensive Peace Agreement CPA was concluded. This means that the age of thier members has now exceeded 30 years.
- this group enjoyed so manychances to to access fundingthrough different channels, due to the support of their leaders who have politicized the funding for these programs.
- The goal of those who joined these forces is to get preferential treatment and obtain a grant from the DDR or microfiance bank system.

The Sudanese Armed Forces

- Most of them have skills they acquired through joining the military.

- They are organized and have work experience and have a high degree of commitment and discipline towards their superiors.
- At the time they were in the army, they enjoyed certain economic and social features. They received a monthly salary and would benefit from after-service remuneration and receive pension service.

6.1.3 Youth in North Kordofan State:

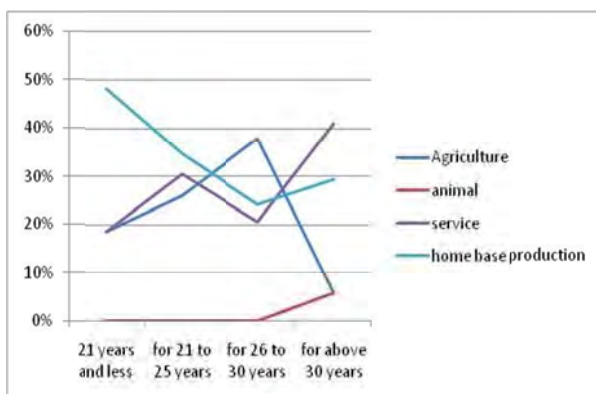
Youth in rural areas

- War didn't have a direct impact on youth in Northern Kordofan. However, the youth there suffered from problems associated with desertification and drought, displacement and increased poverty in their communities.
- The proportion of people who have not received university education or vocational training is great.
- Rural youth are significantly and adversely affected by environmental disaster.
- The proportion of the loss of means of production in the form of livestock and gum arabic trees, made them miss opportunities for production in the period from January to July. This loss, the off-season period, situation forced them to seasonal migrations to urban centers.
- The lack of basic services represent significant financial burdens on the families in those areas and for paying large sums for education or health services, which further widens the circle of the poverty.

Youth in urban areas:

- There are a number of graduates whose university education does not match the labour market requirements and thus they are unable to move to other cities, away from their families.
- Some of those youth did not find the opportunity to receive education, skills and professional experience.
- Many of them tried to work in the field of transport, communication services, and sale of food and beverages, but it should be noticed that this type of service has become attractive to so many sectors a matter that made the market saturated.
- Some of these youth are trained in vocational training or apprenticeship, but they are suffering from the marketing problems facing the Sudanese industrial products.

Figure 1: production sectors



6.2 Production Characteristics of Youth Ages:

In addition to the three main production sectors known in the GDP measurements, women have another sector specified as specialty, which is home-based production. It is clear from table (3) and figure (1) that younger ages among females are more dependent on the home-based production, where 48% from the ages below 20s are dependent on this sector. But this domination decreases to 24% against 38% to agriculture sector at the age interval from 26 to 30 years. However, they are doing some other businesses in the agriculture and service sectors, which is currently growing. This reflects the view that the service sector is the dominant sector. While the younger males as showed in the same table, have different choices distributed mainly among the other four sectors, but artisans and services grow over time to become the dominant professions, where working capital and equipment are accumulated.

Table 1: Gender: Production Sectors over the Age Intervals

Gender	production	age intervals				average %
		21 and less	21 to 25	26 to 30	above 30	
female	Agriculture	19%	26%	38%	6%	22%
	animal	0%	0%	0%	6%	1%
	industrial ar	4%	2%	7%	0%	3%
	service	19%	30%	21%	41%	28%
	home base	48%	35%	24%	29%	34%
	other	11%	7%	10%	18%	11%
		100%	100%	100%	100%	100%
male	Agriculture	29%	39%	17%	33%	29%
	animal	17%	14%	13%	5%	12%
	industrial ar	25%	14%	23%	36%	25%
	service	29%	33%	33%	23%	30%
	other	0%	0%	13%	3%	4%
		100%	100%	100%	100%	100%

6.3 The Resources Employing Youth, Women/Men:

It is clear that women in early ages are employed for the benefit of their extended family. All the agriculture and home-based productions are used to meet families' food security, to increase fathers' incomes; and to meet the education and health requirements of the family. It could be noted from table(4), that 78% of the working capital of the females,below the 20s, belongs mostly to the family. This percentage decreases to 6% at the age of 30s. The accumulated own-capital increase below 20s, is about 15%. This increases to reach 59% by the time they exceed the youth ages (above 30 years).It is clear that, not like men over all ages, women have no more choices to work out side the families' resident and get the chance to work with other persons, while men do.

During the youngest ages of youth, below the 20s, 71%, of men work with others and outside family control. This can be explained by the fact that men can move from rural and small towns to big cities, while women cannot. For male youth, the independence and self-employment by growing their own capital over years, increases in the age phase of 21 to 25 to reach 40%. It decreases again

when reasons for major consumptions emerge, such as their preparing for marriage and establishment of their own private homes. Again after the 30s, this percent grows to 90%, against the 59% women could achieve.

Table 2: Gender: Resource Employing Youth over the Interval of Ages

Gender		age intervals				average %
		20 and less	21 to 25	26 to 30	above 30	
female	privately own capital	15%	32%	34%	59%	35%
	belong to an other person	7%	16%	3%	12%	10%
	belong to the family	78%	47%	55%	6%	47%
	partners to another person	0%	0%	0%	6%	1%
	a loan or grant from an NGO or MFI	0%	5%	0%	6%	3%
	other	0%	0%	7%	12%	5%
total		100%	100%	100%	100%	100%
		20 and less	21 to 25	26 to 30	above 30	
male	own capital	8%	40%	33%	90%	43%
	belong to an other person	71%	12%	30%	5%	29%
	belong to the family	21%	20%	13%	0%	14%
	partners to another person	0%	8%	3%	0%	3%
	a loan from another person	0%	8%	0%	0%	2%
	a loan from a bank	0%	8%	10%	0%	5%
	a loan or grant from an NGO or MFI	0%	4%	3%	3%	2%
	other	0%	0%	7%	3%	2%
total		100%	100%	100%	100%	100%

Figure 2: Women Employment Resources

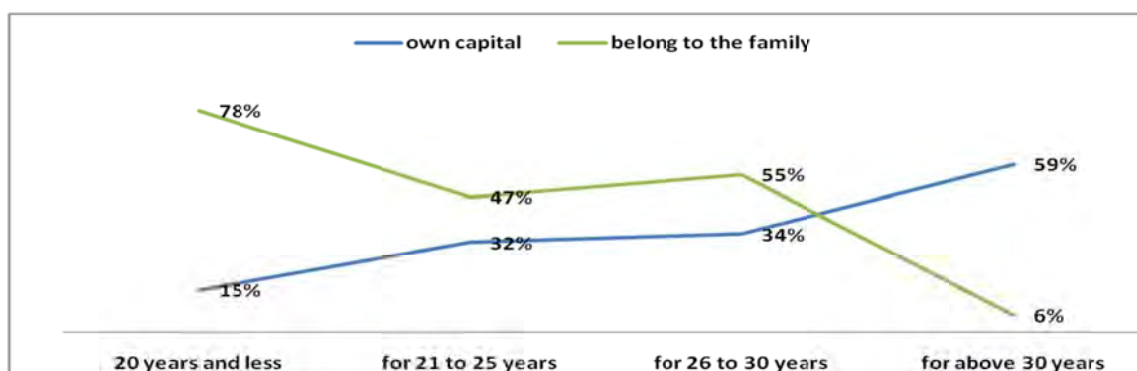
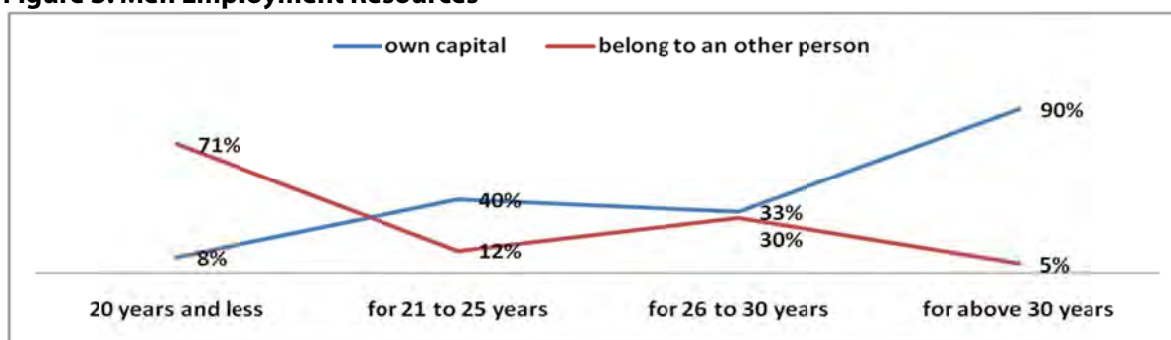


Figure 3: Men Employment Resources



6.4 Sources Covering the Financial Gaps for the Youth:

Table 3: The Sources of Covering Financials Needs and Shortages

Gender		Age intervals				average %
		20 and less	21 to 25	26 to 30	above 30	
female	savings	17%	37%	50%	47%	38%
	selling assets	35%	37%	18%	12%	25%
	traditional and commercial loan	4%	5%	7%	6%	6%
	has access from others	39%	16%	21%	18%	23%
	a bank	0%	0%	0%	6%	1%
	an MFI	0%	5%	0%	6%	3%
	other	4%	0%	4%	6%	3%
		100%	100%	100%	100%	100%
male		20 years and	for 21 to	for 26 to	for above 30 years	
	savings	32%	22%	28%	26%	27%
	selling assets	12%	30%	16%	31%	22%
	traditional and commercial loan	0%	4%	6%	21%	8%
	has access from others	52%	37%	44%	18%	38%
	a bank	0%	4%	0%	0%	1%
	an MFI	4%	0%	0%	5%	2%
	other	0%	4%	6%	0%	2%
	100%	100%	100%	100%	100%	

People need financial services when they face a problem of financial shortages. From table (5) it could be seen that women, particularly in their 21 to 30, depend more on savings as a mechanism to cover financial needs. This is because they have less accessibility to commercial and traditional lending systems or banks services, as men do. The traditional lending system hold paternalistic pattern looking for the man households as collateral to deal with. It is not also clear whether it was because of social status or not that women do not have ability to cover their financial shortages and needs from peers, neighbors, friends or relatives. So they use savings as a mean to protect themselves. it could also be seen from table (5) that women at the age interval of 26 to 30 years use savings, in 50% cases, to solve their financial problems. Men in this same age interval, resort to the same by an average of 28%. At the same time, it could be seen from the same table that men have other opportunities to do this by accessing money from other sources (44% compared to 21% by women of the same age interval).

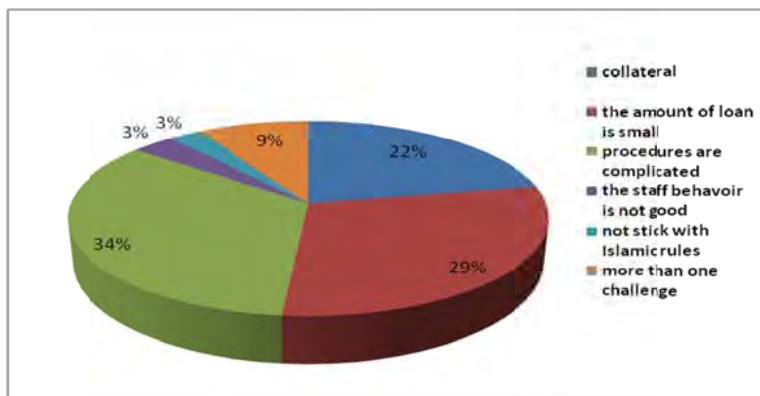
Usually women, their 20s, have no independent source of income and their income flows is linked more or less to the family income flow. Thus is could be seen that more and more depend on selling family assets such as selling crops, hens, goats, or etc. This is because they lack a steady cash flow that would enable them to commit on regular installments paid for Sanduk and Khatta²⁶.

The youngest ages among males, below the 20s, may have not the opportunity to get loan services from the commercial and traditional lending sector (0% in table 3). This is so because they are probably working with other persons or because they are not fully settled in their home area, and without a steady and stable job usually the accessibility of commercial and traditional sector will be easier at the age interval from 26 to 30 years, particularly the commercial pattern of the Estigar²⁷.

6.5 How Youth Perceived the Microfinance Services Provided by Banks:

As seen in table (4), banks come at the bottom with regard to provision of funds for the youth, representing 1% for women and men seeking alternatives to resolving their financial shortages. This will leads the study to see the degree of satisfaction of the current microfinance lending products to the different interval ages tested. People are often not satisfied with the microfinance’s loan products that are offered by the commercial banks. This points out to:

Figure 4: Perception towards Banks’ Services



- The flexibility of collaterals to the different ages, gender, production sector, the level of poverty, etc.
- The suitability of loan amount to the type of business, the term of repayment installments, and the type profit margin will be taken, etc.
- The way banks deliver and precede the service in term of the application process, the type documents required, the time the approvals signed, the way you receive the loan, etc.
- How the behavior of the banks’ officer is looks like.
- The transparency to publicize the information required by the clients, the degree of corruption, etc.

²⁶ Merry round savings rotating by informal groups

²⁷ Estigar is a commercial lending in urban center that merchant or company deliver the commodity in term to be paid later

- Muslim societies are highly sensitive to the Sharai'a laws and this usually considered when people apply for finance.

From Figure 4, shows that the complexity of the service delivery is the most critical element, 34% as perceived by the sample interviewed, who pointed out to this during the focus group discussions, stressing the time and efforts needed to secure such a service whereas the commercial and traditional lending or even savings could be better substitute than the bank. So, they complain about the cost needed to secure a loan with such complicated procedures, and they value it too high to get access to viable financial services. The collateral is still one of the major points of dissatisfactions in the package as banks always ask for conventional collaterals. This is because either their institutional capacity is not capable to deal with group lending or for financial intermediation or for the fact that local community based organizations are not exerting the efforts required by the microfinance providers.

Youth consider that the ceiling for microfinance set at SDG 10,000 is not suitable amount as an initial capital that could effectively help them start a feasible business. They needed a business that will convince them devote their life on it as a means of sustenance. They think that small finance is suitable than microfinance packaged in a long term loan with non financial services including training, business advisory and facilities, investment facilities in term of protection, incentive, connection to market and insurance services.

As seen in the interval ages from 21 to 30 years it is noted that the amount of loan is the most critical factor that enables them to own assets, ease the process of repayments, and also enable them to generate money that cover the imperative requirements of this stage in life, such as marriage, house acquisition etc. The two other challenges include the behavior of the staff and the way banks deal with Islamic mode of finance. These two elements are considered as dissatisfactory points for those at the age intervals exceeding 30 years. This is applicable to a few interviewees in the 6 to 30 years. This is because they have dealt with banks actively and have experience about such procedures, especially in the Blue Nile and South Kordofan. At the same time, banks referred this to the environment in which the banks operate, where politicians and trade unions presidents intervene as intermediary for their members

Table 4: The Perceptions among Different Ages towards Banks as Microfinance Service Providers

Gender		Age Intervals				Average %
		20 and less	21 to 25	26 to 30	above 30	
Female	collateral	37%	21%	24%	18%	25%
	the amount of loan is small	4%	53%	41%	12%	27%
	procedures are complicated	37%	26%	28%	24%	29%
	the staff behavior is not good	0%	0%	3%	18%	5%
	not stick with Islamic rules	0%	0%	3%	12%	4%
	more than one challenge	22%	0%	0%	18%	10%

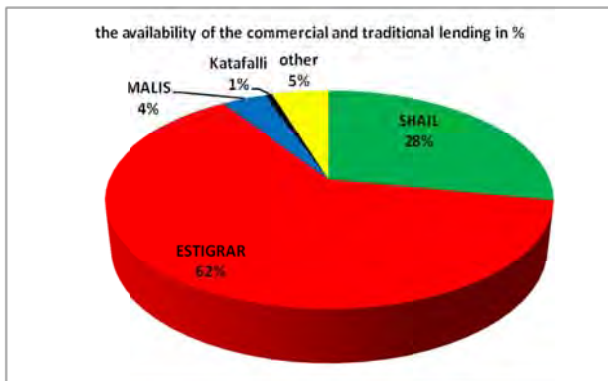
		20 and less	21 to 25	26 to 30	above 30	Average %
Male	collateral	28%	22%	15%	23%	22%
	the amount of loan is small	8%	48%	48%	13%	29%
	procedures are complicated	48%	30%	30%	28%	34%
	the staff behavior is not good	0%	0%	3%	10%	3%
	not stick with Islamic rules	0%	0%	0%	10%	3%
	more than one challenge	16%	0%	3%	15%	9%

6.6 The Barriers of Youth Accessibility to Microfinance Services from Banks:

When the sample interviewed were asked about why banks' services are not usually accessible to them, they pointed out that the most important barriers are physical such as the unavailability of banks, while other barriers deal with the pessimistic fears such as the possibility of being unable to pay back the debts. The unavailability of the bank branches or the distance of sales point services in the Blue Nile and South Kordofan become the main barrier to resident people in those areas. These are areas where there is even shortage in banknote of Sudanese currency and they have to deal in the Ethiopian currency, as is the case in Alkurmuk. This varies according to the gender, age interval, demographic factors etc. The following table could draw a clear picture of how the sample perceives the barriers that stand against the accessibility to the banks' services.

Gender		Age intervals				
		20 and less	21 to 25	26 to 30	above 30	average
Female	not aware of how can proceed application	0%	26%	21%	21%	17%
	the collateral is not available	7%	5%	11%	11%	9%
	fear of failure not to repay	11%	16%	11%	11%	12%
	fear not to stick of Sharia regulations	0%	0%	0%	0%	0%
	don't like there is an other alternatives	0%	5%	0%	0%	1%
	the profit is too high	0%	5%	0%	0%	1%
	the service not available	81%	42%	57%	57%	59%
		100%	100%	100%	100%	100%
Male						
		20 and less	21 to 25	26 to 30	above 30	average
	not aware of how can proceed application	20%	31%	15%	15%	20%
	the collateral is not available	4%	19%	24%	24%	18%
	fear of failure to repay	0%	8%	3%	3%	3%
	fear not to stick of Sharia regulations	0%	0%	0%	0%	0%
	don't like there is an other alternatives	0%	4%	9%	9%	6%
	the profit is too high	0%	4%	6%	6%	4%
the service not available	76%	35%	42%	42%	49%	
many reasons	0%	0%	0%	0%	0%	
	100%	100%	100%	100%	100%	

Figure 5: The Availability of Traditional Lending



6.7 The Commercial and Traditional Lending System:

The commercial and traditional lending system provides a number of financial products. This is considerable when the lack of proper services is secured by one of the crucial competitors of the formal microfinance providers. Throughout time, the commercial and traditional lending systems have been strongly perceived in the mindset as the only easy accessible opportunity. The main dominants traditional systems in the three states are the Estigrar and the Shail. The first is an urban-based system and the second is a rural-based system. The other two traditional lending, Katafalli and Mallis, are fiercer than the two other patterns, which are used only when production relationships become more complicated than ever. This came in line with the bad practices followed by ABS in 1990s.

- Shail is the same as Shalam Sales, when the local village's merchant chained with other creditors pay a price for the commodity in advance at lower value than expected. This has to be coupled with a commitment from the farmers to bring back the loan in kind, and at the price specified at that date.
- Estigrar is a process of purchasing certain commodities from the merchant in order to repay later, either through installments or in full. The main characteristic of this type of commercial lending is that the type of business one is involved in depends on a supplier relative to the sector of the business.
- Katafalli is like Shail, however, it is riskier as the borrower borrows without a real production for example to cover a bank loan defaulted.
- Mallis is like Estigrar, but the borrowers sell the commodity to the ex-owner of the commodity at a lower price that he purchased, in order to pay the debt months later using his bank current account check as collateral.

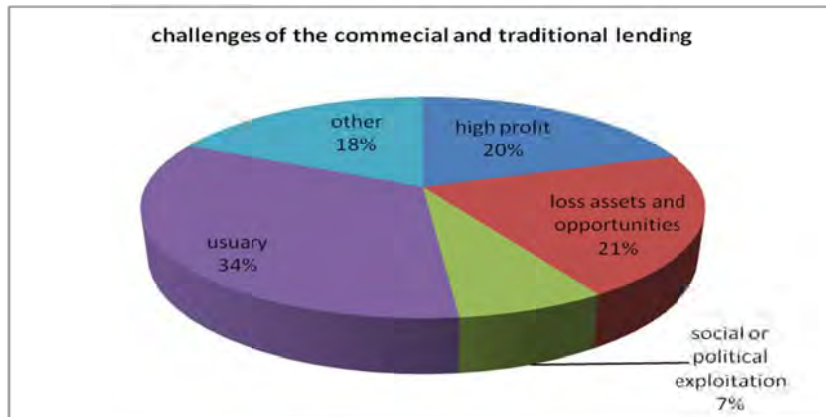
Table 5: The Types of Commercial and Traditional Lending System

Gender		Age intervals				
		20 and less	21 to 25	26 to 30	above 30	average %
Female	SHAIL	0%	50%	30%	8%	29%
	ESTIGRAR	0%	50%	65%	85%	67%
	other	0%	0%	5%	8%	4%
	total	0%	100%	100%	100%	100%
Male	SHAIL	100%	35%	18%	31%	28%
	ESTIGRAR	0%	40%	68%	61%	56%
	MALIS	0%	5%	7%	8%	7%
	Katafalli	0%	0%	4%	0%	1%
	other	0%	20%	4%	0%	8%
	total	100%	100%	100%	100%	100%

The commercial and traditional lending system also has its own rules and as could be noted in table (5) the youngest females, at the interval ages below 20s, lack accessibility to loans from the commercial and traditional system. This is either because the deals are usually done by the fathers whose the youngest females are just family laboring or the social ethics forbid unmarried young women to be involved in such transactions. For women within the interval ages 21 to 30 years, Shail represents an estimated proportion of women trading with traditional and commercial lending because at these ages women are fully responsible for the livelihood and the welfare of their family including the education of the children and the family health care issues. This will decrease when women exceed the 30 years, because this burden will be shifted to the daughters and sons' wives. In the case of Estigrar, the issue is different and the percents will not decrease when the ages exceed the 30s, because it is an urban-based lending pattern, when women practice service businesses like food and tea selling. Most of these women are the sole source of income for their families either because they are divorced, widows, or etc.

This is different with young men who are in the rural areas. And when the commitment is only for a short term, then Shail can be consider the only choice. Shail may decrease during the age interval 26 to 30, because agriculture and rural-base activities may not be attractive to these ages and at that time, their financial requirements will be bigger.

Figure 6: challenges face the traditional lending



Other services from commercial and traditional lending system appear according to the changes in the Sudanese socio-economic culture that occurred during the last few years. Parts of them like Katafalli and Malis, have negative effects on the life of adventurous youths and part of them are positive such like purchasing through installments system in order to secure one's own working assets, especially in the field of the purchase of means of transport.

During the group discussions, the historical background of the commercial and traditional systems was reviewed. It was revealed that those conflicts have negative effects this type of services. This type of lending, is unlike what happens in countries like Uganda, has societal interdependence. Secondly, it is affected by the sharp decline in productivity of smallholders agriculture compared to mechanized farming in the safe areas and the increasing exposure to land mines, particularly in case of Shail. However, the commercial and traditional lending is the main accessible choice for the poor people. Still this kind of financial deals is perceived negatively, as it could be seen in table (6), due to the following:

- The high price of the services, which represents 52% of the challenges for Shail and 35% for Etigrar, because of the scarcity of the service, the scarcity of resources used and the long chain of intermediaries, and nature of the providers.
- Loss of assets and opportunities are also some of the major challenges, because youth migrated during the season to different places like urban centers and gold mining places, etc.
- Clients are usually forced to stick with a certain type of commodity.
- Youths may be subject to political and social exploitations depending on the power of money against the deteriorated social fabric system, during times of conflicts, the post conflict times, and other disasters such as famines and droughts.
- People see the newly emerged traditional lending systems like Katafalli and Mallis as going against the Sharai'a regulations and they are just types of usury deals'.

Table 6: Challenges Face Youth at Commercial & Traditional Lending

challenges	Type of commercial & traditional lending					average
	SHAIL	ESTIGRAR	MALIS	Katafalli	other	
high profit	52%	35%	0%	0%	14%	20%
loss assets and opportunities	30%	41%	33%	0%	0%	21%
social or political exploitation	6%	13%	17%	0%	0%	7%
usury	12%	5%	50%	100%	0%	33%
other	0%	5%	0%	0%	86%	18%

6.8 The Advantages of the Commercial and Traditional Lending

As counted by the interviewee, the advantages of the commercial and traditional lending over the current microfinance services provided by banks are:

- The appropriate rate for the service provided to the poor in specific circumstances, computing and considering both the offered price and the opportunity cost taken as preference compared to the microfinance provided by the banks. This price will be accepted by the poor particularly at the rural area. This is because complicated procedure, the inflexibility of the collateral required by the bank etc, could still be the biggest.
- The time and place is one of the good reasons for preferences of the commercial and traditional lending system over the banking microfinance services provided by the banks. This is because of urgent seasonal requirements, which should not exceed the time when the money and resources are needed. At the same time, this kind of services provided at the place where the clients are available and doing their daily works.
- In spite of the amount and price the service delivered with, other requirements are important to be met such as the need for cash to fund family labor, emergencies for education and health care etc. this advantage represents an estimated percentage by 37% as could be viewed in the figure
- This system has no procedural or office complications: it is available at the time you ask for the loan, no documentary procedures needed, no long time taken for the provider to decide on accepting or refusing the request.
- One of the major advantages represented by 23% of the overall advantage rating, particularly in the rural area, is that the commercial and traditional lending system are the only option available to deal with .

Figure 7: The Advantages of Traditional Lending

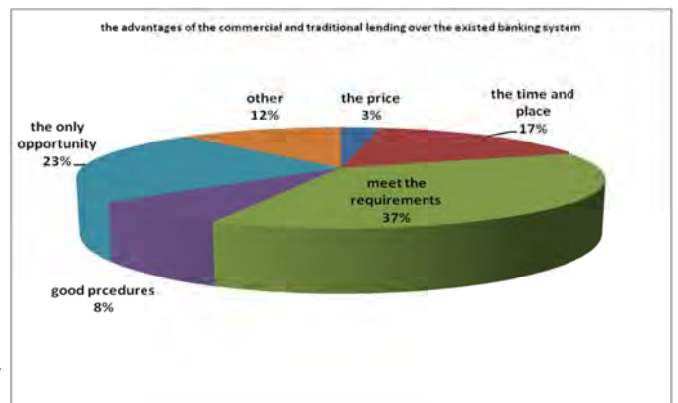


Table 7: Advantages for the Different Commercial and Traditional Lending System

The advantages	SHAIL	ESTIGRAR	MALIS	Katafalli	other	average
Price	12%	3%	0%	0%	0%	3%
Time and Place	26%	25%	17%	0%	17%	17%
Meet the requirements	24%	27%	33%	100%	0%	37%
Good procedures	9%	13%	17%	0%	0%	8%
Opportunity	24%	28%	17%	0%	50%	24%
Other	6%	4%	17%	0%	33%	12%
Total	100%	100%	100%	100%	100%	100%

The different types of commercial and traditional lending specified by different advantages compared to each other, for example:

- For Shail and Estigrar, there is no large variation between the different advantages, but if you rank them, you can find that the time and place advantage, the degree the service meet the needy situation of the clients, and the reality that it is the only choice for the poor represents more than 75% out of the rates given to the price, good procedure and others.
- For Katafalli and Mallis the main proportions given to the way this service meet the requirements.

6.9 Savings:

6.9.1 Why savings is important to Youth:

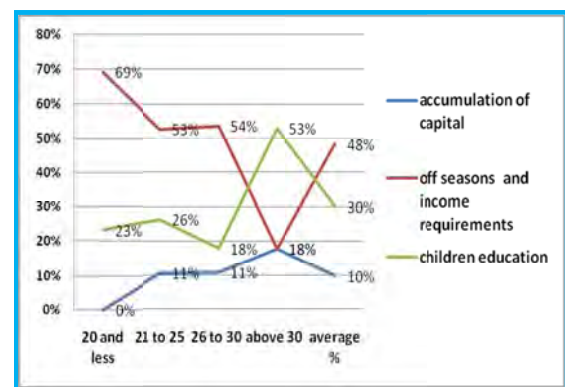
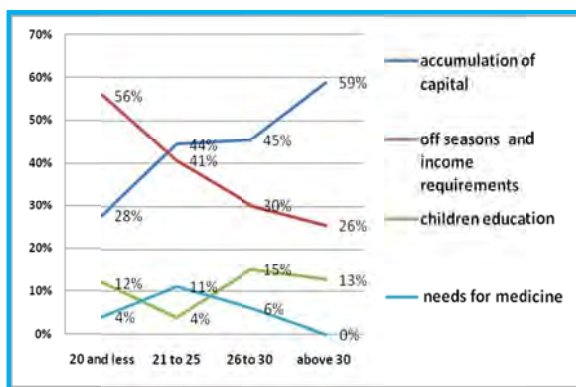
Savings is one side of the coin and borrowing is the other side. Savings, like loans, covers the requirements of youth including that of accumulating working capital. It also is meant to cover such basic needs as, children, health, family and social welfare requirements.

Table 8: Savings uses for Youth Females and Males

Gender		Age Intervals				Average %
		20 and less	21 to 25	26 to 30	above 30	
Female	Accumulation of capital	0%	11%	11%	18%	10%
	Off seasons and income requirements	69%	53%	54%	18%	48%
	Children education	23%	26%	18%	53%	30%
	Needs for medicine	4%	11%	11%	12%	9%
	Welfare	4%	0%	7%	0%	3%
Male	Accumulation of capital	28%	44%	45%	59%	44%
	Off seasons and income Requirements	56%	41%	30%	26%	38%
	Children education	12%	4%	15%	13%	11%
	Marriage requirements	0%	0%	3%	0%	1%
	Needs for medicine	4%	11%	6%	0%	5%
	Welfare	0%	0%	0%	3%	1%

From table (8) it could be seen that the size ratios of all the reasons for savings varies according to gender and age. According to current situation where there is more than one season for women to be involved in productive activities, particularly in rural areas. All saving effected by women are used for the off-season, that 48% represent percentage for off-season and income shortage, in order to cover the needs of the family or any unplanned questions that surface prior to the harvest season. This is followed by the needs to cover the children education that goes with 30%. At the same time, it could be seen that the question differs when it comes to male youth, whose savings are used to accumulate working capital, 44%, followed by off season requirements. There is a variation in proportions when comparison is made of how females are completely different from males in setting savings for education and medical care. For female, the proportion given to education and medical care from savings is higher than that set aside for the same purpose by males. Women save 30% for education while men give 11%. Again women give 9% for medical care while men give 5%. Men on the other hand set aside about 1% for marriage while women do not.

or



The behavior and perception of persons differ from one age interval to another, and according to gender. According to the survey, the requirements and the aspiration differ at each stage of life and gender. The analysis of collected data show that it could be approximately expected that women at the early ages use 69% of their savings to off-seasons. This is decreased to the lowest at the age intervals from 26 to 30 years when they transfer these burdens to their husbands. Again, this proportion increases after they attain their 30s and become responsible for children education and family's health care. They differ from men who move savings to accumulate working capital that increase in a very low percentage to reach 11% during the interval ages between 21 to 25 years. In the case of men, this proportion increases continuously from 28% at the ages below the 20s to reach 59% when ages exceed 30 years.

6.9.2 The Means of Savings:

People use different means and tools to save and keep their money, some of them are traditional and others are formal. The traditional tools and means of savings include the following:

- Sunduk and Khatta looks like the merry-go-round savings practiced in East Africa by saving and credit groups using rotating queue to give the collected equal amount to the person, by turn.

- Rural area use to keep their harvest either in store or in traditional storage systems such as Swaiba and Matmura²⁸.
- Material savings could be in fixed or liquid assets, but gold is consider the most semi-liquid assets that keep well the value of money and is used as collateral, provided to the traditional lenders.
- People also keep banknotes in house, with other persons, or with the local merchants.

Formal institution also like a bank and post office are some of the savings' tools used by people. To this end, different products are used such as:

- Current deposits, when people deposit their money for safety reasons against charges taken by the bank.
- Fixed term deposits, when the bank pays profit for the uses of this money on its investments.

Table 9 : Different types of Savings Methods

Gender		Age Intervals				
		20 and less	21 to 25	26 to 30	above 30	Average
Female	Sanduk and Khattah	30%	42%	54%	65%	48%
	Storing in store	0%	5%	4%	0%	2%
	Traditional storage system	7%	11%	25%	0%	11%
	In gold	4%	0%	0%	0%	1%
	In house	44%	37%	7%	24%	28%
	With another person	11%	5%	0%	0%	4%
	With a merchant	4%	0%	0%	0%	1%
	In a bank	0%	0%	11%	12%	6%
Male	Sanduk and Khattah	8%	19%	36%	21%	21%
	Storing in store	0%	7%	9%	13%	7%
	Traditional storage system	0%	4%	3%	5%	3%
	In gold	0%	4%	0%	0%	1%
	In house	44%	41%	42%	26%	38%
	With another person	20%	7%	0%	3%	8%
	With a merchant	24%	4%	0%	8%	9%
	Commodity related to business	4%	7%	3%	3%	4%
	In a bank	0%	4%	6%	16%	6%
	Other	0%	4%	0%	5%	2%

There are different behavioral styles of savings according to the genders and age intervals. The survey shows that savings through Sanduk or Khatta is a major method that women use to keep their money. This is clearly seen in table (9), 48%, followed by the savings in-house, which stands at 28%, while the traditional storage system represents 11% of the total proportion of saving

²⁸ Swaiba is a traditional storage system over ground made by the cattle litter to keep crops and Mattmoora is the underground whole keeps sorghum for years.

methods. This shows the different strategies used by women to cover the financial shortages in their home-based businesses and solve the problems of off-seasons family requirements. Men are not like women. Their biggest proportion is set for in-house savings at a percentage of 38%, followed by Sanduk and Khatta as second alternatives to save money. The saving of resources in-kind whether in store or buying commodities related to the business stands at 8%. The last alternative resorted to are the banks, which represented 6% to men, against 1% for women.

According to the age intervals it could be seen that the rates, by women using Sanduk incrementally increases starting with 30% among the youngest age intervals to reach 65% at the ages between 26 to 30 years. It curves down again when ages exceed the 30s. The same is true when applied to men they use Sunduk, 8% at early ages to 36%, at the interval ages from 21 to 25 years. This mean that youth have a great potentiality to savings.

6.9.3 Challenges Perceived towards using the Saving Tools:

As has been mentioned earlier, the target population from youth at the three states has little opportunity to use the formal financial services. Few of them have been able to keep their money in the banks or at post office. Instead of this, people use the informal and traditional methods for savings; this generates challenges and threats including:

- Loss of about 43% of savings, out of the total threats and challenges they countered, particularly when these areas are still in a fluctuating conditions between war and peace.
- Loss of the real value of money, 12% for females, against 14% for males, at the time currency value is fluctuating according to the rapid ups and down in exchange rate and according to inflation.
- Wear and tear of savings against the urgent needs and the lack of enabling environment to investment, 12%, for women and 19% for men.
- The problems between peers will appear in case of merry-go-round saving patterns when the social fabric cracks, 17% for women and 9% for men.

Table 10: Challenges Face Both Females and Males during a Certain Age Intervals

Gender		Age Intervals				
		20 and less	21 to 25	26 to 30	above 30	Average
Female	Loss savings	56%	42%	31%	44%	43%
	Loss the real value of saving	7%	11%	12%	19%	12%
	Damage	15%	16%	35%	0%	16%
	wearing of savings	11%	21%	8%	6%	12%
	problems between peers	11%	11%	15%	31%	17%
	Total	100%	100%	100%	100%	100%
		20 and less	21 to 25	26 to 30	above 30	Average

Male	Loss savings	56%	44%	48%	23%	43%
	Loss the real value of saving	4%	19%	9%	23%	14%
	Damage	0%	19%	15%	29%	16%
	Wear and tear of savings	36%	7%	12%	20%	19%
	Problem of between peers	4%	11%	15%	6%	9%
	Total	100%	100%	100%	100%	100%

6.10 Money Transfers:

6.10.1 The Importance of Transfers for Youth

People at the target areas use different types of transfers: banks and post office as formal transfers and the informal transfers through use of mobile phone, messengers and exchange offices. In all cases, transfer is one of the financial services most needed by the youth, because:-

- Youth at the youngest ages need to get small amounts from their relatives while they are studying in urban areas.
- Seasonal migrants in urban centers during dry season or at gold mining areas need to transfer small amounts of money back to their families.
- Small business's owners need to deal with wholesalers in the big urban centers to ship commodity purchased.

6.10.2 The Means of Money Transfer:

There is no doubt that mobile phone transfers represent, which is almost 75% out of all transfer services providers. It considered as a main means of transfers for its advantages over other means because it is most safety, flexible and speedy, suitable deliverable place and time to get the transfer services. However, it has some challenges perceived by the sampled population and as discussed within the group's discussion:

Table 11: Type of Transfer's Means Clustered by Gender and Age Intervals

Gender		Age Intervals				
		20 and less	21 to 25	26 to 30	above 30	Average
Female	mobile transfer	85%	79%	65%	69%	75%
	messenger	5%	5%	8%	0%	4%
	a bank	10%	16%	27%	31%	21%
	Total	100%	100%	100%	100%	100%
Male	mobile transfer	95%	63%	76%	50%	71%
	messenger	5%	11%	0%	16%	8%
	a bank	0%	22%	24%	32%	20%
	other	0%	4%	0%	3%	2%
	Total	100%	100%	100%	100%	100%

6.10.3 Transfers Main Challenges:

The high cost of transfer is main dissatisfactory challenge, which repents 73% out of the overall challenges to females and 66% out of the challenges perceived by the males. Other challenges like the transfer being late, lost, a complicated process are perceived but this as usually being caused by the other type of transfers.

Table 12: Challenges Perceived by Transfers' Clients through Years

Gender		Age Intervals				
		20 and less	21 to 25	26 to 30	above 30	Average
Female	being late	0%	6%	20%	7%	8%
	high cost	85%	83%	56%	67%	73%
	lost	5%	11%	12%	7%	9%
	complication in the procedures	10%	0%	12%	13%	9%
	other	0%	0%	0%	7%	2%
	Total	100%	100%	100%	100%	100%
		20 and less	21 to 25	26 to 30	above 30	Average
Male	being late	0%	15%	6%	6%	7%
	high cost	76%	62%	75%	53%	66%
	lost	24%	8%	0%	15%	12%
	complication in the procedures	0%	12%	16%	26%	13%
	other	0%	4%	3%	0%	2%
	Total	100%	100%	100%	100%	100%

6.11 Insurance Services:

6.11.1 The Accessibility of Insurance Services

From table (13), the valid cases that got insurance services- among the sample interviewed out of the population, sample (216), are 70 cases representing 32% and 44% of this percentage is for the health insurance services. This means that there is lack of insurance in these areas.

Table 13: The Accessibility of Insurance Services

Gender			Age intervals				Total
			20 & less	21 to 25	26 to 30	Above 30	
Female	insurance accessed 1	health insurance	5	6	11	9	31
		microfinance risk	0	1	0	0	1
	Total		5	7	11	9	32
Male	insurance accessed 1	health insurance		5	12	16	33
		motors		4	0	1	5
	Total			9	12	17	38
All	Total		5	16	23	26	70

6.11.2 Challenges of Insurance Services:

Table 14: Challenges of the Available Insurance Services

Gender		Age Intervals					
		20 and less	21 to 25	26 to 30	above 30	Average	
Female	The high cost	0%	0%	25%	38%	16%	
	Claim procedure	33%	43%	13%	0%	22%	
	Access to the compensation	33%	43%	50%	63%	47%	
	The way the premium paid	33%	14%	13%	0%	15%	
		100%	100%	100%	100%	100%	
			20 and less	21 to 25	26 to 30	above 30	average
Male	The high cost		14%	20%	0%	11%	
	Claim procedure		43%	30%	13%	29%	
	Access to the compensation		43%	30%	67%	47%	
	The way the premium paid		0%	20%	20%	13%	
				100%	100%	100%	100%

Different challenges raised by the interviewees including the high cost of the premium, the way the premium installment is paid, the claim procedures and the accessibility to compensation. From table (14), it is clear that the accessibility to compensation represent the highest percentage (47%).

7. THE SUPPLY SIDE ANALYSIS:

7.1 The Blue Nile State Supply Side Findings:

7.1.1 The Microfinance Providers from Commercial Banks:

Experiences vary from one commercial bank to another, depending on the bank's strategy that provides accessibility to the target beneficiaries. This shows the following observations:

- The Banks surveyed are unable to perform operations outside Damazin, which needs to be overcome by dedicating extra well-trained field staff, apart from the financing and investment officers. The B of K has tried this strategy which has partially succeeded to differentiate the microfinance services from other services provided by the bank.
- The limitation of individual lending becomes a reason to increase the variable costs per head and restricts the microfinance into only one product, which is the deferred sale in a short term financing period through Murabahah and Salam. At the same time, the development of collective and group lending, particularly for youth, needs more institutional arrangements to link between the process of groups' organization and the training required as non financial product and a package of financial services connecting with a supply and distribution chain.
- In the Blue Nile, there is an urgent need for effective sustainable intermediary microfinance organizations, which is not available because :
 - All the NGOs working in livelihood and income generation activities are still not ready to intermediate between their target groups. They are all oriented fully with grant schemes and relief culture thinking. In addition to the limitation, they faced a real dilemma that their funding programmes usually specified by short terms budget and not included any plan for national and local counterparts based on the grass root as a sustainability and phase out strategy.
 - All craft and trade unions are in a position of political oriented, where different interests affect their ability to intermediate effectively between the banks and their members.
- Other financial services needed by youth like money transfers, the competitive environment to provide cheaper and suitable money transfers to poor , is restricted by an agreement and a word of honor from the banks not to lower the cost of transfers which contradicts with the nature of the competition-based environment.
- Insurance services are not efficient enough to encourage and protect both the clients and the bank because:
 - Still insurance companies, same like banks do not exert enough efforts to downscale to bottom of the market, and you can find the formal procedure required by the company not suit the nature of the microfinance clients. For example, the condition of a certified statement from veterinarian required to compensate the death of the animal and so forth.
 - In case of the microfinance risk insurance, the insurance is based on individual project rather than portfolio risk one, which is not realistic and economically efficient...
 - The insurance premium is too high for the two sides, the client and the bank. , and the way the company asks for regular installments is considered no suitable for the poor.

- Banks find it difficult to accept land tenures as guarantees, due to the lack of an applicable legal way to accept the small land tenure as collateral from poor farmers.
- Banks face problems of the prevalence of the culture of charitable and relief oriented thinking within the target clients.

7.1.2 The Opportunities and Challenges:

The opportunities and challenges in the Blue Nile Banks as created by the regulations, policies, and programmes of Central Bank of Sudan:

Present and Future Challenges:

- The weak capacity of the Central Bank as Chief initiator of the microfinance sector in Sudan in drawing lessons through field follow-up activities at the providers' windows level.
- Lack of adequate training opportunities in term of the training requirement such as product development targeting a certain segment like youth or women, the quality of the training activities conducted, and the trainee that training programmes targeted, etc.
- The lack of incentives encouraging the bank to direct supply according to the demand driven products.
- The procedures of encoding credit for the loan applicants; whether these procedures required for microfinance clients and his guarantor or a corporate client; are in the same procedural template. All interviewed branch managers agreed that the study should include an advice for the Central Bank of Sudan and to think in a new road map to differentiate in the encoding procedure between the microfinance clients and the other type of commercial bank clients and secondly to think and study to develop a separate Credit Bureau that able to pool electronically the related data.
- According to requirements of the Central Bank of Sudan supervision and regulatory department, the initial cost of opening delivery windows that located on the required suitable place to the clients is too high and not feasible.
- Part of the failures come as the result of the lack of programmes support supposed to provided by the Central Bank of Sudan to the intermediary organizations who providing the non financial service, which is important to complement the services provided by the commercial banks including the business skills, the financial education, and transfer trainings.

Present and Future Opportunities:

- The training and capacity building provided by the MFU-CBOS to the branch managers and loan officers.
- The detailed directives circulated by the CBOS about the collaterals, microfinance on commercial banks, small finance in commercial banks. These circulars directed the commercial banks to incorporate the microfinance in their plan and institutional changes, qualitative supports and responses generated from the Headquarter of the banks to branches and giving greater powers to deal flexibility with the procedures for the granting of microfinance.

- The existence of effective and efficient intermediary organizations in the future, if the Central bank mapping a road to empower these organizations in the post-conflict areas, can operate on the financial mediation process which is expected to reduce the burden on the banks and assist in better outreach and better uses of microfinance resources.

7.1.2 The Intermediary Microfinance/Livelihood Organizations:

The type of organizations surveyed:

So many different organizations have current and potential future role in developing microfinance sector in the Blue Nile State, these are:

- International NGOs that work on projects related to livelihood and income generation activities like Save the Children Sweden who provides grants for the DDR's target groups, MC Scotland who provides incentive grants to organize and mobilize savings groups, and FAO who provides seeds and animal grants to youth.
- National NGOs provide income generation grants like International Organization for Peace and Development which targeted DDR's groups, Motaweneen Ganoonien which works in community development mobilization, awareness and legal assistance, The General Federation of Sudanese women which provides a financial intermediation to groups of women to the Bank, Zakat Fund who intermediates between the bank and the poor through the Security/AlAmman Fund programme, Alkurmuk Women Association who assists on training on food processing and women awareness.
- Craft and Trade Unions including Gum Arabic Producers, Farmers Union, Pastoralists Union and Small Craft Union. All these unions work to use the microfinance intermediation as part of their job to make their membership more loyal and to achieve political gains as microfinance is considered the most attractive incentive to influence the targeted groups.

The findings

The consultancy reviewed these points with the various stakeholders mentioned above and has come out with the following findings:

Gaps need to be bridged

In order for these organizations to play an effective role in microfinance service provisions, there are certain gaps that need to be bridged which are:

- Non existence of microfinance units within these organizations weaken their role to play in the process of service delivery.
- Confused in microfinance practice by some of these organizations through linking microfinance with political practice and to achieve personal gains.
- Restricted activities in very narrow limits due to lack of suitable sustainable resources.
- No minimum coordination and networking between these organizations.

- Unsuccessful attempt by National Union Federation for Sudanese Youth to separate microfinance from other units, which has been restricted by their headquarters due to lack of resources and security concerns.

The Joint Outcomes

The joint outcomes of State's intermediary microfinance/livelihood organizations survey:

- These organizations are far away from the experiences accumulated by the similar organizations in the other two target states.
- These organizations will not be qualified as intermediary organization unless the MFU-CBOS and SMDF provide the needed technical assistance to raise their institutional capacities. This can be done by mapping the potential and current qualified NGOs, providing grants, raising their guarantee capacities to intermediate, providing training courses as per their special needs and providing them with comprehensive data needed for the outreach. Moreover, it has also to facilitate the licensing and registration procedure for the service providers.
- Encourage NGOs to intervene effectively in the process of microfinance development. It is necessary to provide grants that cover seed capital and technical support requirements to those NGOs.
- Microfinance network is important for the microfinance providers as the intermediary organizations and NGOs. This will help facilitate the awareness and training for the target beneficiaries. It will enable coordination between NGOs, lobby and advocate for better enabling environment, dissemination of interrelated needed information and knowledge among the concerned parties, etc.
- The State is in need of establishing a microfinance institution. This should be an institution that has the ability to modeling, networking, coordinating the different efforts and add value through linking the state's investment plans to the small producers.
- No data base is available on the microfinance market and infrastructure. There is no one about youth. The Minister of Youth is seeking assistance and support to do establish such a unit.

7.2 South Kordofan State Supply Side Findings:

7.2.1 Microfinance Providers from Commercial Banks:

The current situation in South Kordofan has been changed immediately after the most recent conflict that erupted on June 6, 2011 which coincided with the consultant field visit. Hence, the situation will be analyzed as per the ongoing conflict. The current and previous situation created discouraging and unsafe environment for banks to open branches in the state particularly with no presence of the Central Bank of the Sudan in the state which could protect and make safety arrangements for the commercial banks. Interviews were conducted with four officials in: Diling City with the SSDB, and Kadugli city with the Bank of Khartoum, the Sudanese Islamic Cooperative Development Bank, and the Agriculture bank.

The most active bank is the SSDB Bank in Diling City. It receives support from the pilot programme of the MFU-CBOs 2009, in addition to the huge deposits that constitutes an important source of cash to be used in microfinance. The bank traditionally deals with delivering microfinance to the public without concentrating on a specific segment, in all South Kordofan localities. But the majority of its activities are in Diling city, more secured at the time of field survey. The bank complained that the collective lending groups behavior usually tend to be defaulter as the result of the political oriented trends towards microfinance repayment.

ABS also has a very long experience particularly with IFAD programmes and farmers group, but this change on the last year because IFAD changed its strategy to assist the local community to establish its own microfinance institution and accordingly BARA'A was splitting to get a license from the Central Bank of Sudan as microfinance institution.

The other two banks have recently started their microfinance activities. They prefer to deal with INGOs and NGOs specially B o K, which started to form portfolios from Zakat Fund and WFP/MFU-CBOS connecting farmers to the market programme. This has abruptly stopped because of the fighting that broke out again, after June 6, 2011.

BARA'A29 is different, it is a non deposit microfinance institution that got its license from the Central Bank of Sudan and become member organization using the resource of the Central revolving fund and grant given from the Sweden Friendship Fund in addition to the support and finance received from SMDF and MFU-CBOS to start its work on the eastern areas of South Kordofan.

7.2.2 The Intermediary Microfinance/Livelihood Organizations:

NGOs visited and interviewed

The consultant reviewed a number of NGOs, Funds, and government departments that work in livelihood/ income generation, savings and microcredit programmes. These institutions included Ro'iaa, NMIAD, NWEDA as NGOs; in addition to other specialized government funds and other Agencies related to Microfinance and youth. The outcomes and findings of State's intermediary microfinance/ livelihood organizations surveyed:

- NGOs in South Kordofan, given the current ongoing conflict situation, are ideal microfinance providers because they are trusted institutions and have the ability to develop human resources and ensure staff safety, and monitor the payments on a daily basis through the formed CBOs.
- NGOs can be successful models, if they focus on the client's security, provide a range of services with clear distinction between relief and financial services, develop financial product design and delivery to deal with instability situation, separate microfinance from relief operations, share information, and cooperate with stakeholders through formation of strong CBOs.
- NGOs have a crucial role to play in the microfinance development process in this state. But it will not happen unless MFU-CBOs is able to reform its organization and regulatory framework.

²⁹ See microfinance providers at South Kordofan

This way it will encourage them position themselves as a microfinance providers by canceling or reducing the minimum capital requirement to register, provide the necessary intuitional and technical capacity to those NGOs, and grant them a working capitals to start.

- There is a lack of coordination and networking among NGOs working in the field. Such coordination and networking is vital for the dissemination of information, self regulation and organization within the same similar area, energizing their efforts to come out with the expected achievement, etc.

7.3 North Kordofan

North Kordofan is different from the other two states. It has not been directly affected by conflicts. However it is more linked to conflicts as a hosting state to a number of IDPs from South Kordofan and Darfur. Additionally the state witnessed disasters other than war. It had been the scene of frequent famines during droughts and food gaps that occurred during the years 1983, 1990, and 2008. This contributed in spreading poverty and unemployment in the State. This situation produced numerous experiences by banks, NGOs and other government departments in how to deal with programmes targeting the improvement of livelihoods and income-generating projects for the poor.

7.3.1 The Commercial Banks as Microfinance Providers:

For consideration to the consistency and the unity of the search sampling, the consultant tried to track the same sample that taken at the Blue Nile State, the sample included the Farmer Commercial Bank, the Saving and Social Development Bank, the Agriculture Bank of Sudan, and the Bank of Khartoum in addition to the Real Estate Commercial Bank. The same check list of enquiries has been checked in addition to special focus on the rich experiences of these banks in cooperation with NGOs and other intermediary organizations.

7.3.2 The Bank Available Resources for Microfinance:

The state enjoys a wide range of banking networks e. According to the Central Bank of Sudan policy the guidance, the expected amounts banks should disbursed as micro and small finance, should be about SDG 48,903,500 as detailed below:

Locality	Amount expected to M &S Finance
Shaikan	17654011
Umrawaba	4939306
El Nuhood	4511349
Abu- Zabad	4034590
Al-Khoi	3961182
Al Rahad	3411071
Gibaish	3227630
Bara	2249560
Gabratelshaikh	1638267
Soodari	1638267
Wad Banda	1638267
Total	48,903,500

The findings

- The site of the state featured as transit area to west of Sudan and new Republic South of Sudan, the availability of windows that provide banking services, in more than 30 branches, the huge amount of deposits and transfer transactions, the diverse experiences as a result of the work of the organizations in the State for long periods and other features, made North Kordofan a different state compared to the two targeted States. This is term of the amount of resources allocated, the availability of competitive environment within the service providers that deal with microfinance as a movement of society, the dialogue conducted between the Government officials, banks and organizations on the best ways to improve the delivery of microfinance services to the public, etc.
- The well organized institutional bodies working in financial intermediation and the long experiences of these organizations to deal with the grass root communities , could be considered as an opportunity for the banks to develop in the field of microfinance in the future.
- The availability of investment and microfinance commission can add value at several levels such as:
 - Connect the microfinance clients, as small and micro producers, to the investments facilitates according the state's advantages.
 - Arrange to map the microfinance financial resources according to investment needs of the state.
 - Establish a microfinance institution to model the pilot project and intermediate for better uses of the commercial banks allocated portfolio to microfinance.

Present and Future Challenges:

- The lack of awareness and training programmes at the bottom of the pyramid of microfinance sector to create an effective microfinance demand.

- The weak capacity of the Central Bank of bank as Chief initiator of the microfinance sector in Sudan in drawing lessons through field follow-up activities at the providers' windows level.
- Lack of adequate training opportunities in term of the training requirement such as product development targeting a certain segment like youth or women, the quality of the training activities conducted, the trainee that training programmes targeted, etc.
- The lack of incentives encouraging the bank to direct the supply according to the demand driven products.
- The procedures of encoding credit for the loan applicants, the same as what was found in the Blue Nile State.
- the weak institutional and human capacity to reach the target customers is one of the critical challenges in front of the existed banks
- the banks in North Kordofan deal with an easy conventional financial service by using Murabahah finance in a short term loans by conventional collaterals, in spite of the potentiality of the demand and competitive feature of the State to the markets, but the banks Suffering from the lack of innovation products commensurate to suit with the requirements of the available effective demand.
- the banks do not consider the principle of sharing the profit and loss with the organizations to allocate part of the profit to these organizations, who usually implement more than 70% from their operations depend completely on the subsidies provided by these organizations, which contradict with the future sustainability and continuity of these organizations in providing the financial intermediation to the clients.

7.3.2 NGOs and Financial Intermediary Organizations:

The existence of NGOs and institutions related to microfinance in term of service providing, financial intermediations, livelihood and income generation activities, has a very long history at the state since 1960s when the government assisted to form rural development associations after October revolution 1964. This continued through time through decades to include the ABS experience with the farmers' cooperative 1970s, Small Scale enterprise credit conducted by INGOs 1980s, ADS and IFAD projects 1990s and 2000s, etc. this created accumulated experiences for the national development body and the community based organization in ways to deal with such project and focusing later on forming intermediation bodies. According to the organizations surveyed the supply side of this area can be subdivided into three categories:

- Rural based organizations including SUDIA and PDW and Sudanese Organization for Peace and Development of Rural Women as NGOs working on the rural area and still has no direct relation to banks using donors' resource to provide microfinance services to rural communities. The main advantages of these organizations that they built activities on accumulated experiences of the international NGOs, all of them concern about the food security as part of microfinance programmes, women are playing a major role in their microfinance processes as a household representative, and their portfolio's repayment percentages are very high. The main challenges

face their organizations are the shortages in their financial resources, they are fully dependent on donors' grants, and there is a lack of networking and coordination between them.

- Women oriented organizations including Women Working Association, and The development of Women Department at Shaikan Locality: those organizations are government oriented organization supported by the State's government. The main advantages of these organizations is that they have more accessibility to banks, they have high percentages of repayment rates, specialized on providing loan to women, where their weaknesses and challenges are fully dependability on government subsidy and support to run their business, mainly work on consumption and emergency loans particularly the Working Women Association.
- Youth oriented organizations and entities: the consultant interviewed three of them including the Graduate Employment Fund, Youth Stability Projects Organization, and the Employment Unit at the High Council for Youth and Sports. The main feature of these organizations is their specialty on youth related issues. They have the ability to advocate and lobby for the benefit of youth segment, and they often manage other related activities like training and networking, etc.

7.4 The Federal Related Institution (Youth Microfinance Institution YMFI):

Youth Microfinance Institution is a microfinance institution specialized in youth financing. It has been established by Youth Stability Projects Organization, one of the organizations supported by the National Union Federation for Sudanese Youth, September 2010. The institution vision incorporates its role in leading youth microfinance market by providing innovative and sophisticated services for youth groups and work to develop their capacities and increase their contribution to the economy.

Youth Microfinance institution started to provide loans in March 2011, and by July 2011 they enlisted about 586 clients. The targeted interval ages ranged from 18 to 45 years. It has three branches in Khartoum, the capital of the State, with fully support from MFU-CBOS. At the same time it started to develop financial intermediation product line at other states including North Kordofan, the White Nile and Aljazeera states.

The major challenge that met the institution was the weak capacity to meet the minimum capital requirement as demanded by the Central Bank of Sudan to be qualified to work in other states, because this means securing SDG 1 million as minimum. Others challenges such as the capacity to meet the expansion needed to secure in post conflict areas is the situation of instability and need to provide non financial services needed in this area. Also YMFI initiated to be specialized in youth microfinance, but this specialization will be of no meaning if these institutions continue working with ages going up to 45 years.

8. RECOMMENDATIONS FOR BETTER LEGISLATIONS, STRATEGIES, PROGRAMMES, POLICIES AND SUPERVISION REGULATION:

Sudan population is composed of a majority of younger ages. This majority will increase when the current population of fewer than 12 comes of age in few years. This means that, the government and all concerned stakeholders should consider this in their legislations, strategies, policies and programmes in line with the future development.

8.1 Legislations and Policies Recommendations:

8.1.1 Regulations for NGOs easy Integration:

Although the Microfinance unit of the Central Bank of Sudan gives a special attention to set directives to the rural areas and women, still no effort was given to specifically to the youth segment, to the areas that are currently witnessing conflict, or to the comparative advantages of each states. Nevertheless:

- Youth usually constitute more than 60% of the total population and more than 90% of the clients of microfinance in Sudan.
- Ongoing and post conflict areas and the population related to these areas compose approximately more than 60% of the total population of Northern Sudan and more than 60% in term of microfinance clients.
- The Sudan enjoys a huge diversity and once the microfinance system uses the Islamic mode of finance, however because of this diversity, it is important to consider the relative advantage of such system for each state.

The regulatory framework has failed to efficiently incorporate the role of NGOs; social development departments in the state government; and the commercial, and traditional lenders in the remote areas, when it set the condition of the minimum capital requirements at a sum no lesser than SDG 400,000 although there are similar experiences at the level of the African region.

Like in Uganda, Ethiopia and Ghana, which took these facts into consideration when applying the microfinance system? It is recommended that a new study could be useful if the Central bank of Sudan's legislators give special consideration to the requirements of youth, women and vulnerable groups at the post and ongoing conflict areas by lowering the minimum capital requirements conditions in a way to create a conducive environment to NGOs to grow in the field of microfinance, particularly in the areas that the commercial banks and other formal institutions could not operate. As the result, NGOs can be registered according to different standards accommodating a certain condition that meet the package of funding and technical assistance presented by MFU-CBOS and SMDF.

The ceiling of the loan amount for microfinance was SDG 10,000, which was applied shortly before the drafting of the current report, up tom a mere sum of SDG 20,000, considered not suitable to microfinance clients. However, this new policy has to be reconsidered in view of the requirements of the different segments and it has to take into account:

- The best international standards for microfinance practice.
- Giving a special consideration to youth needs and requirements within not only the microfinance context but the smaller finance as well.
- Introduce more legislation in the content of small finance directives, so as to integrate the needs and aspiration of youth to acquire asset and possess the right procedures to provide a perfect service.

8.1.2 Product Delivery Policies:

- The Central Bank of Sudan has issued directives on collaterals on microfinance as provided by the commercial banks, small finance in commercial banks. These circulars directed the commercial banks to incorporate microfinance in their plan and institutional changes, qualitative supports and responses generated from the Headquarter of the banks to branches. They should also give them wider powers to show flexibly with the procedures for microfinance³⁰.
- The procedures of registering clients for the loans, whether these procedures are required for microfinance clients and the guarantor or for corporate client; are using the same formats. All interviewed managers are agreed that the study should include an advice for the Central bank of Sudan and for the banks' headquarters to adopt a new road map to differentiate, in the encoding procedure, between the microfinance clients and the other type of commercial bank clients. They also think that study should develop a separate Credit Bureau to pool data of microfinance providers whether those providers are banks, intermediaries or NGOs, and that this data should be accessible to all providers.
- As supervisory requirements, The Central Bank of Sudan asks for a conventional specification to open a bank's branch, whether this branch is for commercial or for microfinance purposes. However, these requirements will limit bank to open special delivery windows for microfinance. Simple procedures will mean that mobile banking, integrating commercial and traditional lending agencies, NGOs office can be delivery windows to the commercial banks. If the current rules continue to exist, opening branches for commercial banks will be more expensive and this will raise the initial cost of opening delivery windows that are located in suitable areas near the clients. It is recommended to reconsider the regulations according to the previously mentioned justifications.

8.1.3 Better Segmentation Policy:

There are special situations every youth in the Blue Nile, South Kordofan and North Kordofan states has experienced. These are very specific challenges such as loss of property, lack of formal and vocational educational opportunities, families and relatives and spouse loss. Every such challenge requires the affected to:

- Own their working assets. They need to be organized and trained as required.

³⁰ Review and feedback workshop, El-Obeid city, Real Estate bank El-Obeid Director June 2011

- Loans provided should be in medium and long term, not less than 18 month but up to 60 months.
- Calculate the suitable amount of installments in a declining method, not flat way of calculations in case of Murabahah and innovate incentives for profitability, good repayments and savings in case of profit and loss mode of finance (Musharaka- Mudharabah).
- Create an added value advantages for owning the asset, for possession of sophisticated and appropriate technology at the same time to the process of owning assets.
- Voluntary savings and non-financial services should be part of the product/services package.
- The client's production should be value chaining and connected up and down streams to create effective supply and demand.
- Collaterals required should be according to the nature of the asset financed, the area, the gender, and the age interval.

8.2 Recommendations for Strategies Reform:

8.2.1 Commercial and Traditional Lending System Lessons Learnt:

The commercial and traditional lending sectors are able to outsmart the formal sector, through their flexibility in dealing with the clients and meet their requirements at the suitable time and place. However, fewer young have chances to deal with them. This results in a large gap. To cover the needs of this segment, it is important be consider covering it through the provision of services provided via microfinance programme that is adapted to the nature of the sector of youth.

There are challenges that young people face in dealing with the commercial and traditional lending sector. These challenges are mainly the high profits that accumulate on them against their borrowing, as a result the youth lack opportunities and property, and have to face social and political exploitation, RIBA; This situation requires from banks and MFIs to study and plan to target this segment. This means the banks will have access to long term profitable investment market through products that are focused on providing youth with long-maturity assets using Islamic system formulas to add value to youth productive process.

The characteristic features of the commercial and traditional lending sector are primarily in meeting their needs and obtain a service at the proper time and place, without a need for the conventional collateral that banks ask for, it is recommended that microfinance service providers as well as MFU-CBOS need to study these features carefully and integrate them into their product feature or integrate and develop the commercial and traditional lender to be an outsource delivery windows for banks.

8.2.2 Making Saving the Best Tools for Youth:

This is because young people do not wait much time to find ways for savings, as reflected by their habitual practice. They usually, as is the case with women, practice savings in Sanduk, within their residential home areas. Each time the money gathered via this process is offered for one individual,

despite the risk that face such a practice, which is the loss of these savings, especially in areas affected by conflicts and instability. Therefore, there is an urgent need to provide effective means for savings to integrate safe traditional methods and see that they work efficiently and effectively. This is done through innovative technology, and is aimed to:

- Mobilize micro and small savings.
- Facilitate, as much as possible, the deliveries of savings using innovative information technology systems to get accessible services at the suitable place and time.
- Increase the degree of safety, security and trust for the services provided at the remote and conflict area.
- Decrease the percentage of money circulated by public to the minimum.
- Adopt services that provide profitable deposit savings using the same concept adopted by Shahama³¹ as a partnership, but in micro amounts and active mode that is easy liquidated at the place and time needed.

8.2.3 Inclusion of Micro-Transfer and Micro-Insurance Services:

Youth are the persons most in need of transfer services. Such services are almost non-existent in the banking system as required. This requirement is in the circumstances of the seasonal migration of youth, the situation of the university students who leave their home areas to study at universities other regions, the continuous movement for running small mobile businesses. Pursuant to that transfers service currently available in mobile phone, which are used in transfers despite challenges facing the service such as the high cost and sometimes in the lack of liquidity in remote areas, e.g. the area surveyed, it is much recommended that the microfinance unit sponsors the development of an adopted transfer service using innovative technical transfers and reduce the burden of high cost of traditional methods linked to such services.

There is virtually no health insurance service and there are no other insurance services devoted to youth. The existing services also do not meet the needs of the clients, particularly those related to compensations process. This research has concluded that youth do need to be absorbed in more than health insurance services. They need to get insurance service to protect assets, lessen market risk and ensure income sustainability. The only way to meet this requirement is either to support the current health insurance institution and insurance companies or establish a new specialized company to do this job as required. The recommended insurance company can effectively support youth:

- Providing the necessary Guarantees for the proposed microfinance portfolio submitted by the NGOs to obtain financing from commercial banks.
- Providing individual securities and insurance services to small and medium enterprises apply for small finance with the necessary sponsorship to these enterprises in marketing, technical assistance, etc.

³¹ Financial security paper issued by the ministry of Finance and the Central bank of Sudan

- Carrying out reinsurance to protect assets, income flows, savings, etc.

8.2.4 Introducing NGOs as a good Financial Intermediation:

It is clear that there is a lack of intermediary organizations that provide non-financial services, so important to complement the services provided by the commercial banks including the business skills, the financial education, and transfer trainings. More effort is needed from the MFU-CBOS to bridge this gap.

NGOs can be a successful model if they focus on the client's security, provide a range of services with clear distinction between relief and financial services, develop financial product designed and delivered in instability situation, separate microfinance from relief operations, share information, and cooperate and collaborate with stakeholders through the formation of strong CBOs. NGOs could be encouraged to intervene effectively in the process of microfinance development, i.e. incentive can be provided in forms of grants for the initial working capital or portfolio to start with.

The existence of effective and efficient intermediary organizations and NGOs in the future will provide a revolutionary changes in the lifecycle of the microfinance industry in Sudan, if the Central bank is to map out a road to empower these organizations in the post-conflict and ongoing conflict areas, so that they can operate in the financial mediation process which is expected to reduce the burden on the banks and assist on better outreach and better uses of microfinance resources.

The sustainability of the current NGOs working as intermediary organizations depends substantially on the payments that banks should pay against the intermediations service. In reality banks do not consider the principle of sharing the profit and loss with these organizations to allocate part of the profit for these organizations, which implement more than 70% of the microfinance operation including the promotion, the client application procedure, the monitoring of the project implementation, monitoring of the daily activities of the enterprise and the collection of the repayment in one package. This relationship should be amended for the benefits of the microfinance sustainability, if MFU-CBOS setting a framework for Fair relationship of cooperation between banks and NGOs.

At present, there is a lack of coordination and networking between NGOs working in the field of microfinance and income generation/livelihood programmes. Microfinance is important for the microfinance providers at the intermediary organizations and NGOs in order to facilitate the awareness and provide training for the target beneficiaries, enabling the coordination between NGOs, lobby and advocate for better enabling environment, dissemination of interrelated needed information and knowledge between the concern parties, etc. It is recommended that UNDP should stick with its early plans of supporting Microfinance network. It should not consider supporting Sudanese Association of Microfinance Institutions, SAMI, which are sponsored by SMDF. The role of microfinance network should be in the following areas:

- Build microfinance providers from NGOs through training programme and exchange of knowledge and experiences.

- Advocate and lobby to get better conducive environment to grow and develop.
- Work to establish self-regulatory organization to microfinance providers.
- Raise the necessary funds to complement the financial services with other non-financial services.

8.2. 5 Change SMDF Strategies:

Up to now, SMDF was not able to specify the requirements of its mandate; the Multi Donor Trust Fund MDTF funded the Central Bank of Sudan, because the programme failed to³²:

- Establish the self-regulatory and support organization (the Apex organization) including such important tools like the credit Bureau needed for microfinance database.
- Support the NGOs and CBOs to develop their microfinance programmes.
- Provide grants to Blue Nile and South Kordofan microfinance institution to establish microfinance institutions or facilities.
- Establish specialized desks to meet youth, women, and the demands in conflict areas.
- Establish business support units specialized on supporting the small business capacities to youth and provide consultancies to them.
- Empower the microfinance providers from NGOs to establish their own microfinance network.

8.3 Recommendations for Programmes Development:

8.3.1 Capacity Building Programmes:

- In spite of the commercial nature of the currently operating banks in the target states, with regards to their structures, mandates, the weak capacities of the human resources, still the banks took the initiative and moved in to shoulder their social responsibility to provide microfinance. In this context, the Central Bank of Sudan microfinance strategy, policies, directives, and its generous support to the sector assist banks have to be recognized. This need a sort of evaluation to come with lessons learnt, promote and advocate to develop this initiative to further steps, by integrated other government sectors to be involved in the efforts carried out and still running by the Central Bank of Sudan.
- Banks have initiatives, like El-Erada Microfinance Company established by the Bank of Khartoum, ABSUMI programme modeled by the Agriculture Bank of Sudan, in addition to the support provided by MFU-CBOS to reorganize Saving and Social Development Bank and the Agriculture banks. It recommended that more effort should be done to guide the commercial banks to downscale with a separate specialized units and departments and so efficiently and effectively outreach the real microfinance clients and incorporate youth microfinance as one of the essential segment to target.
- the weakness, the banks suffered in institutional and human capacities to reach the target customers, are considered as one of the critical challenges facing the existed banks, this need

³² The Central Bank of Sudan Proposal to MDTF end 2006

more efforts from MFU-CBOS to develop specific regulations governing the work of banks in microfinance to emphasize productivity standards of the human resources in microfinance operations and assist banks in achieving this standards. The banks in these states adopt easy conventional financial services using Murabahah finance in short term loans, demanding conventional collaterals, in spite of the potentiality of the demand and competitive feature of the State to the markets, but the banks, which suffer lack innovation products commensurate to suit with the requirements of the available effective demand. It is important to support market research and product development capacities that enable bank develop innovative delivery channels to meet Sharai'a regulations. They could use other methods than Murabahah like Musharaka as profit sharing mode of finance, that is sharing the risk with the youth and arrange for marketing. There should be, in addition, business protection along with the required procedure for monitoring and providing technical advises to youth.

- The limitation of individual lending practiced by the banks increases the variable costs per head and restricts the microfinance operation to expand and outreach efficiently and effectively. Thus, there is a need to develop the microfinance providers' sector to have the capacity to deliver a sort of appropriate financial products to youth including formation of collective and group lending. The banks need to do more rearrangement for institutional restructuring to link between the process of groups' organization and training as non-financial product and a package of financial services connected with the supply and distribution chain. The current practices showed that most of the effective collateral are meant to secure the banks' loan are conventional, however there are more chance to develop appropriate and accessible collateral by the clients in these states, which are:
 - The collateral of small land tenured is applicable legal way to accept small land tenure by the poor farmers, if the legislatures in the state endorse such procedures.
 - Group and saving collateral are easily provided by the intermediary organizations and NGOs if banks integrate these NGOs efficiently in the microfinance services provided.
 - The collateral of micro insurance to microfinance risk if delivered in appropriate package.
- Banks are not efficient and effective enough in providing transfers services particularly in the field of micro transfers, because of the restriction followed , that is to stick to a gentleman agreement by all banks not to compete in the prices of the transfer, banks lacks the needed capacity to deliver service procedures effectively. Insurance companies that provide the micro insurance services are not effective and efficient enough to encourage and protect both the clients and the bank. It is recommended to encourage the establishment the micro insurance company to develop the ability to downscale to the bottom of the market.

8.3.2 Product Development by Sub-Segmenting Programmes:

Youth at these states can be divided into: young graduates returning back to their families in their home area from urban centers and IDPs camps and youth who missed education opportunities /or vocational training, youth who have a history as former combatants. It is recommended that sub-

segmentation of youth market should incorporate the differences and every part of these sub-segments should be handled according to their situation and so the product developed.

8.3.3 Opportunities for younger ages and women Agriculture sector Programmes:

Youth work in these areas at the beginning of their lives in agricultural activities and according to the circumstances and challenges surrounding the agricultural sector. However, after years of work in those areas, youth are gradually attracted to the service sector in urban centers. This would be considered as a good choice for youth who have aspiration to improve their livelihood. It is imperative to find effective means to interfere in adding value to the agricultural sector, so important for Sudan sustainable economic growth.

Young women in the early years of their life (20 and less) and also those married (above 30), divorce or widowed who are working in sectors most stable such as the agricultural sector and home based production, because of the limited opportunities for them to move outside the family housing areas, they need to be within the focus of these situations. These institutions should identify special means to energize and increase their productivity innovatively. However, this is not likely to happen until NGOs or MFIs organize them into productive cooperatives and/or groups, conduct technical training, chain their products to process to add value, etc. So, to meet the demand of the younger rural women there is need to:

- Organize collective production group pattern to provide loans.
- Form Community based organization at the central and small group societies.
- Integrate traditional mechanisms and tools of those communities for saving, storing, and communication to reach them.

The younger the youth are the lesser chances they have to access to own their proper capital. Moreover, for this reason it is likely they end up being employed by either other small employer (in case of males) or their family (in case of females). This needs to be addressed by providing those youth with assets from early ages, and they have to be linked to a service programmes. These service programmes should be associated with a certain package of training and qualification and organization within in the framework of family gatherings or productivity. Only an outsourced NGO can do this if the bank sector intermediate them.

Those persons over the age limit of youth, usually find great opportunities to meet the financial requirements and cover their financial shortages by using several means, including using savings to obtain liquidity such as savings in Sanduk used by women and dealing with commercial credit. Moreover, as younger people have less access to such means, microfinance can spread this opportunity to the youngest ages by developing specialized programme to empower them and empower them to have better access to all opportunities available.

8.3.4 Better Perceptions about Banks Services and Easy Deal Programmes:

Young people in these states have a negative impression and dissatisfaction when dealing with the banks mainly the issue of complex procedures adopted by the banks. There is also the issue of small size of funding particularly for young persons. It is recommended that MFU-CBOS may circulate a

directives circular to the banks explaining and directing the banks to fulfill the requirements of getting ready to meet the needs of the youth, by raising the level of their structural, technical and operational development of products with properties corresponding to the requirements of youth's customer satisfaction.

Young people in these states are reluctant to deal with the banks mainly because they do not exist in their areas of residence or business or they are not aware and knowledgeable about the bank requirements and the products offered. This requires that the Central Bank of the Sudan and the relevant actors support and promote a new banking system that has the ability, as service providers, to (1) deliver their product at the proper time and place of work using the branchless banking system and innovative information technology stems, mobile banking system, (2) benefit from the commercial and traditional lending agencies and the availability of NGOs in the intermediation. Furthermore, it is important to manage a comprehensive inclusive promotion programme, which is depending on an effective Medias that understand the target communities and avoid the dependability, and resort for direct contact.

8.3.5 Upgrading Programmes for Non-Financial Services Inclusion:

According to the last failed experience of the Graduate Employment Fund, bank officers perceived graduates as lacking seriousness; this bad impression will not change unless the Graduate Employment Fund is able to agree on the exact role of each of the different parties: the bank, the fund administration and the graduates themselves. In addition to that, extra efforts should be deployed in developing good package of nonfinancial services that have to be provided to the target graduates, in addition to the existence of new institutional procedures that clearly divide the job between these parties.

Shared by sociologist experts during the interviews and discussions, it is concluded that youth in these states need special care by additional well-developed package of training and capacity building programmes including peace building, protection, financial education and awareness, business skill training and self-confidence treatment programme, etc. It is recommended that neither banks, nor MFIs can able to pack this within it is packages, while NGOs can be the sole providers to the services for their advantages over others. At the same time, NGOs should be careful in delivering microfinance services without mixing up between relief and microfinance activities.

During the discussion with different stakeholders, youth women believe that they are:

- Exploited: men in village development committees and officers in NGOs use them as windows' dress to enable them be up to par with donors thinking. They are not involved because of development ends. They are used as tools.
- All family assets are usually owned by males; it is not probably that women own assets.
- Usually women get solutions to the problems that are related to family livelihood. Work to accumulate savings so as to have their own assets.

- Women are more sensitive and responding to social and family disruption and problems than keeping the business running as usual.

This requires special attention to reform and redirect the mission and goals of these organizations to focus more on women situation, banks and MFIs can work to form specialized women societies as saving, and credit societies connected to a certain package of financial and non-financial product.

8.3.6 Training and Capacity Building Programmes:

The weak capacity of the department of banking supervision and inspection at Central Bank of Sudan as supervisory body according to the current endorsed regulatory framework of the microfinance sector in Sudan to draw lessons through field follow-up activities at the providers' windows level is constraining the development of microfinance best practice standards in Sudan, because the way the central bank inspecting the branches is lack of the right processes basically built microfinance inspections. This requires the creation of a Central Bank inspection department to specialize in microfinance inspections and conduct specialized trainings to raise their capacities. The training and capacity building provided by the MFU-CBOS to the branch managers and loan officers is a great opportunities and still constitutes needy services to the banks and other microfinance providers and it is better be continue in a way that change the technical assistant to more advance and specialized training in marketing research, product development, strategic planning, etc.

8.4 Special Recommendations to Blue Nile:

Banks as microfinance providers have inability to perform operations outside Damazin city, this need to be overcome though intensive capacity building and technical support, by adding extra well, trained field staff separated from the rest of the financing and investment activities running by the banks.

For the intermediation services that can be done through NGOs or CBOs, it seem that in case of the Blue Nile, cannot be activated efficiently and effectively because:

- all the NGOs working in livelihood and income generation activities are still not ready to efficiently intermediation as these fully oriented with grant and relief culture thinking, in addition to the limitation they face on their main stream funding programmes. This is because as usual their budgets restricted as an emergency and relief programmes, by short-term budget nature.
- Most of these INGOs have no national counterpart that trained to recover the phase out of these NGOs.
- All craft and trade unions are in a position of political oriented and directed bodies where different interests affect their ability to intermediate effectively.
- These organizations are far away from the experiences accumulated by the similar organizations in the other two target states.

- The lack of intermediary organizations providing the non financial services that important to complement the services provided by the commercial banks including the business skills, the financial education, transfer trainings

It is recommended:

- Capacity buildings, special attention from SMDF to support NGOs and the formation of microfinance network at the state level, this can redirect NGOs to microfinance in a sustainable manner that needed to fill the gap available at the Blue Nile and assist banks like the bank of Khartoum to bridge towards collective group lending pattern.
- The formation of CBOs by these organizations to grow phase out seeds is very weak, need efforts, and time to build such organizations.
- the organizations in the Blue Nile will not be qualified as intermediary organization unless the MFU-CBOS and SMDF provide the needed technical assistance to raise their institutional capacities by mapping the potential and current qualified NGOs, provide grants and raise their guarantee capacities to intermediate, provide training courses according to their special needs, provide them with the wide spread data needed to outreach, facilitate for the licensing and registration procedure as a service providers.

8.5 Special Recommendation to North Kordofan:

The site featured of the state as transit boarder state to west, South Kordofan and the north part of South Sudan Republic, the availability of windows provide banking services out of more than 30 branches with the existence of a branch to the Central Bank of Sudan, the huge amount of deposits and transfer transactions, the diverse experiences as a result of the work of the organizations in the State for long periods and other features made North Kordofan different from the two targeted States targeted by the study in microfinance in term of the amount of resources allocated, the availability of competitive environment within the service providers that dealing with microfinance as a movement of society, the dialogue conducted between the Government officials, banks and organizations on the best ways to improve the delivery of microfinance services to the public, etc. this can give lessons to MFU-CBOS to give special attention to pilot special programmes like youth microfinance in this state to replicate in the further steps to other states.

The well-organized institutional bodies work on financial intermediation and the very long experience of these organizations with the grass root communities can be considered as an opportunity to banks to do progress in the field of microfinance and give surety that banks in the state are strongly benefits from the microfinance intermediary organizations available.

The weak presence required to pilot programme implemented by the MFU-CBOS from early stages since the State authority had exerted intensive efforts to establish a specialized microfinance bank (GUDAIM), which lost their adequate opportunities in training and lifting capacity. This needs to be compensated by intensive works to call for funding proposal from banks, MFIs and NGOs.

The availability of the investment and microfinance commission can add value at several levels such as:

- Connect the microfinance clients as small and micro producers to the investments facilitated according to the state's advantages.
- Arrange to map the microfinance financial resources according to the investment needs of the state.

This needs carefully attention and support from the stakeholders to consolidate the idea and pilot with them the potential projects that to be implemented like the value chain, business support units, volunteers programme, connecting farmers to markets, etc.

NGOs at North Kordofan are:

- Well established in term of the capacity to communicate the grass root level, efficiently do the financial intermediation, and have better outreach in rural and urban. However, they lacking the ability to operate sufficiently because they are fully dependent on the subsidies and donation from government and donor, their overhead cost spends on monitoring are too high; they have no satisfactory product that covers all the customers' needs according to the age and the time of the year.
- Excellent in the context of development, but still need more efforts from the MFU-CBOs to increase their capacities as microfinance intermediary organization.
- NGOs targeting youth and women in a way or another, but at least three samples reviewed, the Graduate employment Fund, the Stability of Youth Projects Organization, and the unit at the high council for youth and Sports can potential have a major role in forming youth organizations and volunteer groups, do wonderful efforts in youth trainings, intermediate for banks to finance youth.

It is recommended to support NGOs and financial intermediations body at North Kordofan in the following area:

- To transform in a level of holding a capability to bridge the gap between the banks and the youth base organizations.
- Avoid the high political polarization.
- Increase their ability to reduce the overhead cost.
- Develop information technology systems that based on youth data, investment map, marketing data, etc.

North Kordofan addressed microfinance as part of the investment concerns of the state; this can be an intelligent partnership and integral step to incorporate:

- Integral investment policy oriented to the benefits of micro and small entrepreneurs that most of them are from youth segment.

- Resource mobilization at the large investments to value chaining the up and down stream of micro, small and medium enterprises MSMEs logistics whether it is in the inbound or the outbound stages.
- Advocate developing investment strategies, programme and policies that provide protection and incentive in equitable base to the benefit of the micro and small enterprises.
- A liaison processes to integrate microfinance into government departments' strategies, programmes, and policies.
- Sponsoring a microfinance institution as a modeling body to operate integrated microfinance to the comparative advantages of the state and promote for these models to be replicated by other financial institutions.

8.6 Special Recommendation to South Kordofan:

The instability of the state discourage the banks that closed their doors after the 1990s war to open again, this makes the number of banks that opened up to provide banking services are scarce and nothing encourage the existing opened banks to expand and develop their services where there is so far only two ATMs operating throughout the State and only a new branch opens only bank branch of the Sudanese Islamic co-operative development since the Comprehensive Peace Agreement CPA signed 2005.

The non existence of the Central Bank of Sudan; as regulator, safeguard and supportive institution to the development of the banking system; makes major challenge to the development of the banking system in the state and so to the development microfinance sector unless SMDF can split a unit of special care for microfinance sector as mandated earlier when the proposal raised to the multi donors trust fund 2006.

The political and personal interest interventions practiced by farmers union, trade unions in bank operations particularly in the disbursements of microfinance loans create a real and big challenge to the banks as this intervention means more defaulters existed in microfinance portfolio. This need special road of solutions to make balance and empower NGOs to Restore and replace these bodies with intensive programmes to raise the financial awareness to the target clients.

Bara'a Microfinance Institution that working the southeastern part of South Kordofan can be considered as a model to replicate on the other areas in the states, but it seems that the institution tracking the South East Asia model by its short-term loans and this need to be modified to stick with the local community requirements and wants.

NGOs have a crucial role in the microfinance development process in this state, but it will not be happen unless MFU-CBOs able to reform its organization and regulatory framework to encourage them position their place as a microfinance providers by canceling the minimum capital requirement to register, provide the necessary intuitional and technical capacity to those NGOs, and granted them a working capitals to start.

NGOs in South Kordofan for the current ongoing conflict situation are ideal microfinance providers because they are a trusted institution has the ability to develop human resources and ensure staff safety, and monitor the payments on a daily basis through the formed CBOs.

The survey showed that informal providers offer products that most closely match client priorities. In contrast, few semiformal providers understood client priorities or could explain why their products had been developed the way they had. Thus, as we observed during the study tour NGOs and intermediary organizations can bridge the gap between the commercial banks and the target clients, where other non-financial services including re-trust building and training activities to qualify the target clients.

8.7 Other Supportive Recommendations:

8.7.1 National MSMEs Development Agency:

The national government support the microfinance sector in term of funding packages, legislations, coordinating stakeholders efforts and supports; but more efforts needed to widening this political support through sponsoring a federal structure specialized on developing micro and small enterprise, providing training packages to the target clients, provides protection and security services to micro and small enterprises, connecting and value chaining micro and small producers, etc.

8.7.2 Recommendation for States' Government to Support MSMEs Marketing:

The states' governments are the biggest buyers of the products and services available in the market, particularly that they are responsible for providing maintenance, furniture and equipment for all government owned schools, hospitals, and ministries' building, etc. all these has been provided through contracts with big suppliers, the question is: why not a certain percent can be allocated to micro and small artesian and craftsmen by using banks and microfinance institutions as intermediation bodies.

9. RECOMMENDATIONS FOR POLICY INTEGRATION INTO THE NATIONAL YOUTH DEVELOPMENT PLAN:

9.1 Recommendations for Development of Integrative Strategies:

9.1.1 Redirecting the Role of Ministries of Youth and Sports:

The youth employment units established at youth ministries at both levels as one of the joint programme were aimed to lead the way and guide these ministries to the area of youth employments, however those unit:

- Have an ambiguous role and their tasks are not specified clearly, and so their visions and mission are not specified.
- At the federal level, the units established by the minister of youth and Sports by Ministerial Decree and this will not guarantee the sustainability of the unit, if not established with an act with a specific mandate and strategic vision and mission.
- This unit can have major roles in policymaking, government directives, bodies' coordination, resource allocations for the issues related to youth, if these units strongly built and supported.

9.1.2 Establishing Youth Employment Commission:

It is clear from findings that the experience of youth unit need more consolidation, strategically youth employment need special structure to:

- Work on supporting and advocating youth self-employment.
- coordination for financial inclusion to youth, help youth units at state level to establish and provide technical assistances
- Work to establish business support unit, incubators
- Intervene to support specialized youth microfinance institution and other windows deliver youth's products.
- Establish specialized youth employment commission at the federal level

9.1.3 Incorporation of Microfinance in Education Curriculums:

Special attention should be given to incorporate financial education and awareness to youth; this will be effective if the recommended commission sponsored the following activities:

- Broadcasting and TV programmes.
- Youth Parliament activities.
- Design and preparation of microfinance and SMEs curriculums
- Workshop and conferences.
- Researches and studies
- Competitive schemes programmes

9.1.4 Creating Conducive Environment to Voluntary NGOs:

Youth financial inclusion and the development of MSMEs need efforts to enter/ keep the NGOs and voluntary youth's bodies in the loop. It is also important to encourage the NGOs and youth voluntary bodies to target youth segments since they have the ability for:

- Financial inclusion at post conflict areas, women, vulnerable groups
- Funds raising
- Financial intermediations to banks

9.1.5 Building Smart Partnership

A partnership with MFU-CBOS

Build better partnership with MFU-CBOS to more specification to youth financial inclusion in order to:

- Developing a plan of action to follow the execution of youth's financial inclusion policy reform
- Empower youth to financial inclusion

A Partnership with Investment governmental bodies

Build better partnership with investment ministry at the federal level and at with the commission at the federal level in order to:

- Connect youth to markets
- Encourage and protect youth enterprises

A partnership with State governments

The state government will be real partners to:

- Connect investment to SMEs and value chaining
- Allocate resources to youth projects.
- Provide facilities to youth investments
- Proceed a legislation for land tenure registration for collaterals

9.2 Recommended Programmes:

9.2.1 Youth Segmentation and Mapping Programme:

Work on youth Segmentation and mapping to get better informative sector to stakeholders by using data centers in order to:

- Provide the necessary data that encourage the financial institution to a specialized on youth oriented product.
- Networking the different activities need to be provided to youth by different stakeholders.
- Pooled data will be useful for research and development for different stakeholders including donors, financial institutions, investors, government agencies, etc.

9.2.2 Activation of Specialized Youth Financial Inclusion Programmes:

Develop effective tools for better provision of specialized financial and non-financial services to youth by activating and using the following tools:

- Establishing specialized business support units
- Rehabilitate the existed Youth vocational Centers and schools
- Support the specialized YMFI by donated capital and technical assistances.
- Business incubators

The following programmes can be useful to youth:

- Vocational training
- skill transfer training
- Business skills training
- Financial and awareness training.
- Youth Microfinance products and services
- Intermediate for youth at commercial banks windows
- Connect youth to markets
- Connect youth to resources

ANNEXES:

- (1) Annex 1: Terms of Reference for UNDP Support to Youth's Financial Inclusion Policy Reform
- (2) Annex 2: Inception Report
- (3) Annex 3: Progress Report
- (4) Annex 4: Microfinance providers Survey Check List
- (5) Annex 5: The Global Experience in Regulating Microfinance Institutions
- (6) Annex 6: Integration and Incorporation Youth Strategy within Microfinance Matrix
- (7) Annex 7: Youth Microfinance Institution

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[27] Merry round savings rotating by informal groups

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ANNEX 1

UNDP Support to Youth's Financial Inclusion Policy Reform

Location:	Khartoum
Type of Contract :	SSA
Languages Required :	English
Expected Duration of Assignment :	4 months

Background

The Government of Sudan recognizes that young people are key actors within the future social and economic development of Sudan. However, surveys have shown that most of the unemployed are youth. According to the Ministry of Culture, Youth and Sports (MOCYS), the figure rises amid university graduates, migrants from the rural to urban areas, and high schools graduates. Youth unemployment is expected to further increase due to the recoil of the governmental role in employment and the implementation of privatization and free market policies.

The Government of Sudan has consequently realized clearly the fundamental need for a comprehensive and holistic National Youth Policy (NYP) for youth empowerment in Sudan. The NYP shall provide a foundation and mechanism for youth participation in socio-economic development. Hence, the Ministry of Culture, Youth and Sports (MoCYS) is mandated to play significant leadership role in the process towards having a comprehensive NYP. The Ministry started this process in 2009 by formulating its Strategy for Training Five Million Youth.

Concurrently, the United Nations Development Programme (UNDP) is part of Sudan Joint Programme (JP) 'Creating Opportunities for Youth Employment in Sudan' which is implemented by 10 UN Agencies to provide skills development and livelihood opportunities to the youth with particular attention to migrant youth, including returnees and demobilized soldiers. This Joint Programme has been designed in consultation with the Government of Sudan considering youth employment as a priority area in Sudan. The programme will help mainstream youth employment in national development frameworks; develop a coordinated youth employment action plan and improve the enabling environment to hasten the creation of employment opportunities among the youth and other target project beneficiaries, such as returnees, demobilized soldiers and women.

Employment opportunities among the target beneficiaries can be created through self – employment in livelihood / income generating projects and by starting and expanding micro and small enterprises. However, development and growth of micro and small enterprises are hindered by a number of factors. One of which pertains to availability and access of funds to finance capital required to start or expand livelihood projects / enterprises.

Meanwhile, the Central Bank of Sudan has crafted and issued its Policies for the Year 2010 containing the Islamic Banking System Policies. Within the policy framework are: 1) Monetary and Financing Policy; 2) Foreign Exchange Policy; 3) Banking and Supervision Policies and Development of Payment and Technology Systems in Banking Business; 4) Currency Management Policies; and 5) Micro and Mini Financing and Banking Financing with a Social Dimension Policies. The fifth policy dimension on Micro and Mini Financing definitely provides a more favorable policy framework for micro and small

enterprises. These policies have to be translated into workable strategies, programs and delivery mechanisms to provide micro finance at the States, particularly South Kordofan, Blue Nile and North Kordofan. Moreover, micro finance should be accessible to youth and vulnerable groups who want to start their livelihood / micro enterprises as well as expanding micro and small enterprises that can provide employment opportunities among the youth and vulnerable groups. Ways of enhancing the availability and accessibility of micro finance to benefit the youth will contribute to the development of a multi-sectoral coordinated policy and programs for youth employment.

Duties and Responsibilities

The purpose of this consultancy is to:

- 1) Identify the needs and constraints of livelihood, micro and small enterprises in accessing funds to start or expand business operations in consultation with key informants from the youth sector, women business groups, private businesses, NGOs, UN Agencies, banks and other international and national organizations providing micro finance particularly to youth, women and vulnerable groups;
- 2) Review the available micro finance services and programs to identify the gaps and constraints in making funds available and providing easy access to funds to livelihood / micro /small enterprises at the national and state levels, particularly in South Kordofan, North Kordofan and Blue Nile, with particular attention to youth, women and vulnerable groups;
- 3) Develop with CBOS and other stakeholders strategies, programs, guidelines and delivery mechanisms to appropriately reach and address the financing needs of livelihood / micro /small enterprises in South Kordofan, North Kordofan and Blue Nile, with particular attention to youth, women and vulnerable groups;
- 4) Recommend appropriate micro finance strategies, programs, guidelines and delivery mechanisms for integration and policy adoption in the National Youth Development Plan.

The activities of the consultancy will be implemented in close collaboration with MOYCS, CBOS, Ministry of Labor (MOL),UNDP, ILO,UNIDO and other relevant ministries and agencies and includes:

- 1) Review available recent studies, relevant documents and reference materials on:
 - Status of livelihood, micro and small enterprises
 - Statistical profile and economic sectors engaged in;
 - Financing requirements and sources;
 - Economic and Social barriers to enterprise and obtain financing especially for youth, women and vulnerable groups;
 - Legal barriers to obtain financing.
 - Micro Finance Policies and Modalities
 - Monetary / Financial Policies on lending;
 - Profile on Aggregate Loan Portfolio per economic sub-sector, loan scale (large, medium, small & micro loans);
 - Main Providers and schemes of Micro Finance at the National and State Levels, particularly South Kordofan, North Kordofan and Blue Nile;
 - Past experience in microfinance, key success / failure factors, causes;

- Successful micro finance models and programs in the country or other similarly situated countries that may be adopted;
 - Specialized microfinance programs for Youth in Sudan and other countries, best practices, lessons learned and their sustainability;
- 2) Analyze the results and identify:
 - Gaps and constraints in addressing the funding needs and circumstances of livelihood / micro / small enterprises;
 - Gaps and constraints in implementing the Micro Finance Policy of CBOS by financial institutions;
 - Appropriate immediate measures / improvements that can be made within the current policy framework to make funds available and accessible to livelihood / micro / small enterprises at the National and States (South Kordofan, North Kordofan, Blue Nile);
 - Appropriate longer term measures / improvements in strategies, legal framework, social – economic cultural aspects, institutional framework and other reforms for more favorable micro finance delivery mechanisms.
 - 3) Develop with CBOS programs and delivery mechanisms that could be implemented to immediately address the needs while other longer term programs are worked out;
 - 4) Recommend jointly with the CBOS and relevant Government’s Ministries longer term lending programs or improvements of strategies, guidelines and delivery mechanisms to mainstream favorable micro financing programs to the youth as part of and in support to National Youth Development Policy at the National and State Levels.

Deliverables

- 1) Inception report on how best to undertake the tasks and how best to communicate with interested parties describing the mechanism for consultation and agreements. The report is also to provide information about the proposed main activities and timeframe of the consultancy which will allow for maximum coordination and cooperation;
- 2) Monthly activity reports with list of accomplishments and key milestones to be achieved in following month;
- 3) Draft Report to be circulated to main stakeholders for comments;
- 4) Final Report incorporating the comments and corrections by main stakeholders.

Required Skills & Experience

One national senior consultant will be recruited to assist in the participatory process of developing appropriate strategies, guidelines and mechanisms responsive to the microfinance requirements of livelihood / micro and small enterprises.

The minimum qualifications and experience required are:

- Advanced university degree in public policy, finance, development economics, or relevant fields;
- Strong knowledge and experience in developing livelihood / micro / small enterprises among the youth and vulnerable groups;
- Proven work experience in microfinance services and/or programs and delivery mechanisms;

- Relevant work experience in the field of youth and participatory processes;
- Strong knowledge of government working environment and procedures, and experience in inter-ministerial collaboration;
- Proven competence in logistics and documentation with limited supervision;
- At least five years of experience in management, coordination and exceptional organizational skills;
- Good communication, interpersonal and analytical skills;
- Excellent drafting and report writing skills;
- Fluency in both English and Arabic.

Other details: The consultant should identify the team members if needed in some of the activities

Other Requirements: The consultant should bring his/her own laptop computer.

Payment: The standard method of payment to consultant, whether national or international, shall be the output-based lump sum scheme.

ANNEX 2

Inception Report

The Effective Role of Microfinance for Getting Better Financial Inclusion to Youth

Background:

'Creating Opportunities for Youth Employment in Sudan' is Sudan UN Joint Programme that is implemented by eleven UN Agencies and their seventeen relevant national counterparts. The Programme aims to develop skills and provide livelihood opportunities to the youth (defined age between 15-30 years) targeting Blue Nile, North Kordofan and South Kordofan States.

UNDP, as participating agency in the JP is leading a number of complementary interventions, part of which is to promote for an enabling environment for increasing youth employment in Sudan in close collaboration with its main partner Microfinance Unit of the Central Bank of Sudan MFU-CBOS through developing technical implementation guidelines to improve the access to finance by Youth at Khartoum- and state-level in order to mainstream the interests, potential and needs of youth in relevant economic policies.

Both the MFU-CBOS and UNDP consider that employment opportunities among youth could be created through self-employment in livelihood / income generating projects and by starting and expanding micro and small enterprises. However, development and growth of micro and small enterprises are hindered by a number of factors. One of which pertains to availability and access of funds to finance capital required to start or expand livelihood projects / enterprises and other financial services including saving, insurance and transfers.

The Objectives of this Report:

To clarify and go into details of:

1. How the consultant could undertake this task by clarifying the methodologies and approaches and communicate with interested parties, and describe the mechanism for consultation and agreements.
2. Provide information about the proposed main activities, set the timeframe of the consultancy, which will maximize coordination and cooperation

How this report was produced:

Within the participatory approach adopted, the consultant held different meetings with the partners. The aim was to develop the launching arrangements and set the overall framework of the consultancy. These preparatory meetings were held with:

- UNDP staff, two meetings: the first was with the Project Manager and focused on a review of the TOR and the second meeting was with the Programme Officer and the Project Assistant to discuss further logistic arrangements and follow up plan.

- UNIDO staff, with the Joint Programme Coordinator and the Assistant Project Coordinator, to understand the nature of the programme, and clarify the goal and the main objectives of the overall programme, the overall organizational structure of the programme.
- The National Project Unit for Youth Job creation (MOYS Coordination Unit).
- MFU-CBOS director.

The outcomes of the preparatory meetings included different advice, stakeholders' expectations, recommendations and arrangements, part of which are:

- Agreement with the MFU-CBOS Director to:
 - Focus on youth and give special consideration to women and vulnerable groups within the youth sector.
 - Policy review for micro and small finance and see the suitable credit ceiling for youths, non-banking policies related to business development, investment environment collaterals, training, etc
 - Review the other environmental factors at the State level.
 - Revisit UNDP labor market surveys conducted by SUDIA particularly in a self employment dimension.
 - Conduct feedback workshops as an important approach to investigate effective opinions and ideas for the study.
 - Agree upon the draft plan's main outlines.
- Useful outcomes of the meetings:
 - Delivery of related materials including the programme main document and the labor market survey for the three States.
 - Facilitation of the contact of the other stakeholders from different partners specially the support done by MOYS Coordination Unit.
 - Promises by the MFU-CBOS to provide the necessary primary data needed from the banks.
 - Good advices and recommendations that fit the plan to the current situation of the States and the logistical issues from UNDP.
 - Generous support from the MFU-CBOS and UNDP to facilitate and participate in the workshops at the State and National levels

Methodologies and approaches:

The purpose of this consultancy is to:

- Identify the needs and constraints that face youth, women and vulnerable groups, in particular, in accessing inclusive financial services.
- Review the available micro finance services and programs to identify the gaps and constraints, particularly in South Kordofan, North Kordofan and Blue Nile.
- Recommend a suitable and appropriate strategies, programs, guidelines and delivery mechanisms to get better conducive environment that support youth for inclusive financial services in South Kordofan, North Kordofan and Blue Nile.
- Recommend appropriate micro and small-finance policies, strategies, programs, guidelines and delivery mechanisms for the purpose of policy integration in the National Youth Development Plan.

Qualitative Primary data collection and analysis plan:

The Consultant adopts financial system development approach, including:

6. A participatory, but focused, review and in-depth discussion for the characteristics of the demand-driven youth segment including special specifications for the market sub-segments of women and vulnerable groups, rural and urban, the different lending patterns for both individuals and groups, saving and credit service product lines, ...etc). This was achieved through conducting interviews and focus group discussion with selective groups including some of the market-led sub-segments for rural/urban groups, bank clients, women, vulnerable groups etc
7. The approach in parallel reviewed and assessed also the microfinance providers from formal and informal sectors as a supply-driven side. This included the business support infrastructure for these providers (e.g. strategies and programme; capacity to innovate and get better use of information technology tools, marketing and segmentation capacity, etc), activities and products, sustainability and profitability factors, etc.
8. Relationship between NGOs and CBOs as intermediary organizations has been reviewed to understand their current and future situation and investigate the role they could play to support and participate in energizing the link and help to create an effective demand (their role to train and raise the demand capacities, legal and formal identity, ability to localize and customize the international microfinance best practice into appropriate deliverable services to local customers, present and future programmes, their outreach and efficiency, advocacy and lobbying issues needed by microfinance networks).
9. Review and assess the enabling financial and monetary environment at macro-level. This embraces policies, legislation and regulation pertaining to or affecting the microfinance industry. Focus was made on development of the newly endorsed policies and regulations by the CBOS and the ways, tools and programmes were examined for making them more effective. Those were reviewed with the States' stakeholders at the state level and their feedbacks were incorporated within the other partners. All these reviews were carried out through participatory feedback workshops and interviews with the concerned stakeholders at State and federal levels.
10. Gone through PESTEL trend analysis approach to review and evaluate the present and future opportunities and challenges that face both the demand and supply sides of the different youth segments.

The secondary data to be searched and gathered:

4. With the MFU-CBOS assistance, the consultant will review the banks and MFIs portfolios, annual reports, strategies attainable data,
5. Related statistical data and reports conducted in the area of microfinance, youths, the targeted States.
6. The available and accessible literature written on the related subjects at the region and globally.

The stakeholders will be communicated:

As part of the approaches, the consultant will target selected stakeholders to participate in assembling the event activities, this will include:

1. On the bottom of the pyramid:
 - a. A group of the targeted youth, taking into consideration different factors incorporating the different stages of entrepreneurship development, gender; different dealers with MFIs, banks, NGOs; Geographic and demographic sectors, etc. This will include groups of potential and actual clients for DDR programme, women in development programmes, youth organizations, banks' clients, etc.
 - b. CBOs and NGOs using microfinance tools, income generation projects, social development to alleviate poverty with different registration identities, objectives, capacities, fund sources etc. This will include saving and credit cooperative associations, community based organizations CBOs, business enterprises, livelihood and income generating bodies, etc.
2. At the middle level of the pyramid:
 - a. A selection of commercial banks' branches at the State levels.
 - b. Non deposit taking microfinance institutions both the MFIs and the NGOs that directly provide microcredit services to their target clients.
 - c. Insurance companies at the state levels, in addition to health insurance agencies.
3. At the top of the pyramid:
 - a. The Central bank of Sudan.
 - b. UNDP and other related UN Agencies particularly the focal agency on each State.
 - c. The programme coordination unit at the UNIDO and the joint technical committee.
 - d. The National Project 'Youth Job creation' at MOYS.
 - e. Other related stakeholders such as Ministry of Investments, Ministry of Social Welfare, localities, etc.

Table of Planned Activities

Task	Start	Finish
Sign the contract with UNDP	24-Mar-11	24-Mar-11
Meet the UNDP Project Manager to discuss the TOR contents	27-Mar-11	27-Mar-11
Determine the list of stakeholder	27-Mar-11	6-Apr-11
Meet UNIDO officer	27-Mar-11	27-Mar-11
Meet MFU officers to discuss their expectation	30-Mar-11	30-Mar-11
Meet Youth Unit, MOYS	31-Mar-11	31-Mar-11
Literature review	10-Apr-11	28-Apr-11
Finalized the plan and schedule	13-Apr-11	26-Apr-11
Inception report	15-Apr-11	28-Apr-11
Arrange for the field trip 1 Damazin	28-Apr-11	1-May-11
Travel to Damazin	1-May-11	1-May-11
Meet the State Committee (Damazin)	1-May-11	2-May-11
Launch the meetings and interviews (BN)	2-May-11	5-May-11
Conduct a feedback workshop Damazin	5-May-11	5-May-11
Back to Khartoum	7-May-11	8-May-11
Attending microfinance training and workshop	8-May-11	13-May-11
Travel to El-Obeid	11-May-11	14-May-11
Meet with the State committee	15-May-11	15-May-11
Conduct interviews on El-Obeid	15-May-11	22-May-11
Feedback workshop El-Obeid	24-May-11	24-May-11
Travel to Kadugli	25-May-11	25-May-11
Meet with the SK State Committee	25-May-11	25-May-11
Progress report 1	26-May-11	26-May-11
Conduct the interviews (SK)	29-May-11	2-Jun-11
Conduct the feedback workshop (SK)	6-Jun-11	6-Jun-11
Back to Khartoum from Kadugli	7-Jun-11	7-Jun-11
Gathering the data of the three states	7-Jun-11	14-Jun-11
Start writing the draft	15-Jun-11	5-Jul-11
Progress report 2	23-Jun-11	23-Jun-11
Feedback meeting with MFU, UNDP, UNIDO, Youth Ministry	26-Jun-11	26-Jun-11
Arrange for the feedback workshop	5-Jul-11	17-Jul-11
Feedback to different stakeholders	17-Jul-11	21-Jul-11
feedback workshop	17-Jul-11	18-Jul-11
Feedback to Youth Minister	18-Jul-11	18-Jul-11
Feedback to Social Welfare Minister	21-Jul-11	21-Jul-11
Hand the final report	26-Jul-11	26-Jul-11

ANNEX 3

Progress Report

UNDP Support to Youth's Financial Inclusion Policy Reform Consultancy

Period from: 26 April - 25 May 2011

The objectives of this report: To achieve and overcome the following:

3. Prepare for the field visits and develop the material needed for the field surveys.
4. Conduct field visits to two of the target States, namely the Blue Nile state and North Kordofan and South Kordofan states

Flashback:

Within the month before the consultant developed the inception report, the preparation for the field surveys had been conducted according to the following copied plan:

Task	Start	Finish	Status
Arrange for the field trip 1 Damazin	28-Apr-11	1-May-11	Done
Travel to Damazin	1-May-11	1-May-11	done
Meet with the State Committee (Damazin)	1-May-11	2-May-11	done
Start the meetings and interviews (BN)	2-May-11	5-May-11	done
Conduct a feedback workshop Damazin	5-May-11	5-May-11	Not done
Back to Khartoum	7-May-11	8-May-11	Done
Attending microfinance training and workshop	8-May-11	13-May-11	Not done
Travel to Al Obeid	11-May-11	14-May-11	Done
Meet with the State Committee	15-May-11	15-May-11	Done
Conduct interviews on El-Obeid	15-May-11	22-May-11	Done
Feedback workshop El-Obeid	24-May-11	24-May-11	done

Preparations for the field surveys:

The technical preparations:

As per the methodology and the plan, three surveys should be conducted including in the Blue Nile, North Kordofan and South Kordofan. Three techniques should be followed in implementation of the surveys:

1. An interviews with key players including the two sides, the supply and demand of microfinance such the commercial banks and NGOs as microfinance providers and leaders from community based organizations, from microfinance and youth target groups, in addition to government officials.
2. Focus group discussions with youth groups from Youth organizations or trainee targeted by the UN agencies during the implementation of the joint programme.
3. Questionnaires targeting controlled and uncontrolled group according to the ages, sex and demographic factor.

Accordingly, all material needed prepared and developed to meet the requirements for a successful job. These preparations included checklists, questionnaires, recorders, camera etc

The logistical preparations:

1. Damazin logistical preparations:

The consultant received a contact lists during the last meeting with the UNDP staff. Arrangements were also made securing provision of logistic assistance to the consultant during the field visit in the Blue Nile State, through FAO project coordinator

As expected the tar-dive coordination with Damazin programme representatives resulted in some limitations and constraints. These limitations raised a time shortage and disturbed the implementation process as planned; accordingly the consultant adjusted his plan to include a trip to Kurmuk County and cancelled the feedback workshop because of the time shortage.

2. El-Obeid and Kadugli logistic preparations:

Lesson learned from the Damazin experience, a detailed action plan was developed by the consultant and shared with UNDP. Hence, appropriate preparations were carried out.

El-Obeid Mission timetable

Arrive at Al Obied		17-May-11	
meet with the State committee		18-May-11	
start interviews on Alobied		18-May-11	25-May-11
	meet the Technical committee	18-May-11	
	meet and conduct interview with the minester of Youth	18-May-11	
	interview the Central Bank of Sudan Alobied Manager	18-May-11	
	interview SSDB Bank Manager	18-May-11	
	Investment and Microfinance commission	18-May-11	
	Farmer and commercial Bank	19-May-11	
	Bank of Khartoum	19-May-11	
	National Union Fedral for Sudanese Youth	19-May-11	
	visit Women associations at Umrawaba locality	21-May-11	
	visit village association at Shiekan Locality SUDIA microfinance Project	22-May-11	
	focus group discussion with the programme target group	23-May-11	
	focus group discussion with the NUFSY target group	23-May-11	
	direction interviews to fill questionnaire	24-May-11	
	feedback meeting with the minster of Youth	24-May-11	
	feedback meeting with the deputy governor	24-May-11	
	prepration for the feedback workshop	24-May-11	
feedback workshop Alobied		25-May-11	25-May-11

South Kordofan Mission time table:

Travel to Kadugli		26-May-11	26-May-11
meet with the SK State committee		27-May-11	27-May-11
progress report 1		26-May-11	26-May-11
conduct the interviews (SK)		27-May-11	6-Jun-11
	meet the Technical committee	27-May-11	
	meet and conduct interview with the minister of Youth	27-May-11	
	Cooperative Islamic Development Bank	27-May-11	
	Bank of Khartoum	27-May-11	
	Zakah Fund	28-May-11	
	Visit any related INGOs working on livelihood and Income generation	28-May-11	
	interview General Manager of Ministry of Social Development	28-May-11	
	focus group discussion with the programme target group	29-May-11	
	focus group discussion with any DDR target groups	30-May-11	
	direction interviews to fill questionnaire	31-May-11	3-May-11
	interview SSDB Bank Manager at Eddeling city	1-Jun-11	
	visit different samples for SSDB at Eddling	2-Jun-11	
	feedback meeting with the governor	5-Jun-11	
	preparation for the feedback workshop	5-Jun-11	
conduct the feedback workshop (SK)		6-Jun-11	6-Jun-11

This preparation resulted in perfect coordination:

1. Smooth facilitation for the consultant, particularly the generous support provided by the members of Sudanese Development Initiative SUDIA, who provided a rented car and named a staffer to accompany the consultant as a facilitator.
2. A successful review and feedback workshop organized in El-Obeid was attended by UNDP representatives from Khartoum, along with full participation by stakeholders and government representatives, including ministers and other government officials.

Field Visits/Surveys:

Damazin mission:

From April the 30th to May the 7th 2011, the consultant visited two areas, namely Damazin and Rosaries localities. Both are considered urban and suburban area and Kurmuk County as rural and war affected area. During this mission, the consultant held different the following interviews:

- Interviews with representatives of four banks including Saving and Development Bank, Farmer Commercial Bank, Agriculture Bank of Sudan, and Bank of Khartoum.
- Interviews with different NGOs, some were micro-grant providers including MC Scotland, SCF/Sweden, International Peace and Development Organization, kurmuk Women Development Organization and FAO Youth Employment Project.
- Interviews with Government Funds and with unions, including Zakat Fund and Sudanese Women Union.
- Focus group discussion with related stakeholders from Artisans Craft trade union, Youth Union, a group of FAO Target youth from El- Zaria village, a group of FAO target youth from Sally village, a group of clients from MC Scotland saving groups and a group from demobilized soldiers targeted by International Peace and Development Organization.
- Questionnaire covering 71 different cases.
- Interview with the Minister of Youth and Sport.
- A rap up meeting with the Deputy Governor of Blue Nile State.

During the period 8 - 16 May 2011, the assignment was extended to cover extra activities not included in the term of reference: the consultant arranged a training opportunity for one of the young staffers within the ministry personnel in the state, and coordinated for a meeting between the State represented by the Minister of Youth with Microfinance Unit MFU-CBOS Director to discuss more about the study and the technical, institutional and financial requirements for Blue Nile State in order to activate Microfinance inclusion for youth at State level.

El-Obeid Mission:

Period from the 17th to 28th of May, the consultant covered the activities planned including in both urban and rural areas as follows: -

Area	Localities
El-Obeid town	Shaikan locality
Um-Siddir and Shiegaila villages	Abu-Haraz locality
Haboobyia and Umgaziera villages	Um-Rawaba locality
Target groups from Bara locality	Bara locality

During this mission, the consultant held different the following interviews:

- Interviews with banks as microfinance providers including five banks: - the Agriculture Bank of Sudan, Farmer and Commercial Bank, Saving and Social Development Bank, Estate and Commercial Bank, and Bank of Khartoum.
- Interviews with microfinance providers from intermediary organizations including Sudanese Development Initiative SUDIA, Peace Organization for Developing Rural Women (Amusara Programme) and Women in Development department at Shaikan Locality (Azzoog Elrafie'a), Association of working women.
- Interviews with Youth organizations and funds including National Fund for graduates, projects for youth stability and Youth Microfinance Institution, and the Youth Unit at The Higher Council for youth and sport.
- Interviews and meetings with government regulators including the Central Bank of Sudan, Investment and Microfinance Commission, Minister of Finance and the State Wali (Governor).
- Focus group discussions with target groups from rural areas including women development societies at Umrawaba locality targeted by Public Development works Organizations, Community Development Committees at Abu Haraz locality targeted by SUDIA.
- Focus group discussions with target groups from urban areas including women cooperative societies from Alzoog Elrafie'a Project, and trainees sponsored by Youth Unit to get accessibility for finance.
- Questionnaires for 90 controlled and non-controlled groups classified according to ages, gender and demographic factors.
- Review and feedback workshop including participants from different interviewees, participant from the focus group discussion and other stakeholders.
- Meetings with Minister of finance, State Wali and UNDP Personnel.

The outline for the next planned activities tasks:-

- Kadugli mission
- Data insertion, gathering and analysis
- Report writing and review
- Review and feedback workshop
- The final report

ANNEX 4

Microfinance Providers Survey Check List

Microfinance Providers from Commercial Banks:

A sample of four banks has been reviewed in each state including: Farmer Commercial Bank, SSDB, ABS, and Bank of Khartoum in the Blue Nile State, Farmer Commercial Bank, SSDB, ABS, and Bank of Khartoum and Real Estate Bank in North Kordofan; and SSDB, ABS, Bank of Khartoum, and ISCOB in South Kordofan. Within these banks the consultant tried to examine the following checkpoints:

- The microfinance activities run by the bank
- The demand and supply for other financial services and how the branch manages this, effectively and efficiently.
- Whether or not the microfinance is part of the initiatives and concerns of the bank's leadership and staff at the branch level. The current and potential capabilities of the branch to develop and extend its microfinance activities as part of its major activities.
- The present and future prospective of microfinance product that suits youth, women and vulnerable groups.
- The role of intermediary organizations on rendering the bank's microfinance product easy to access by microfinance target clients in general and youth in particular.
- The challenges that may face the bank when targeting youth and women.
- Challenges may face youth when seeking access to microfinance in the bank.
- How regulations, policies, programmes that are applied by the Central Bank of Sudan could be opportunities and what are challenges? How they are implemented?
- Recommendations on how to create conducive legislations, supportive programmes to get better effective and efficient microfinance operation for potential clients in general, youth and ongoing and post conflict areas in particular.

Microfinance providers from NGOs:

The check points discussed

The consultant sampled these institutions to review and discuss with them the following points:

- The legal background of the organization
- The objective and the means for verifying these objectives.
- The source of fund and their financial capacities to run their businesses.
- Challenges that face the organizations on running programme in post conflict areas, youth, women and vulnerable groups.
- The type of the organization activities related to micro and small projects and microfinance (financial intermediation, savings and credits and income generation and livelihood projects.
- The coordination capacity, the level of cooperation and partnership with the financial institution.
- To what extent are the regulations, programmes and policies are followed and implemented by the Central bank generating opportunities and challenges towards the organization activities in microfinance

- The other non financial products provided by NGOs including: -
 - Business skills training.
 - Vocational and job transfer training
 - Financial education and awareness

- The recommendations if followed will generate a conducive and an enabling environment needed to encourage NGOs to intervene positively in the development of the microfinance sector.

ANNEX 5

The Global Experience in Regulating Microfinance Institutions

One of the debated regulation issues is the minimum capital required, about which the Central Bank says should be specified for the licensing requirements. This regulation may have two sides. The first side is the one that restricts and limits informal institution from growing up randomly, unrecognized and unable to act as intermediate between the target groups and the financial institutions. The other is a prudential one that seeks to protect the clients and the assets of the investor from misuse and loss. The following table shows regulations in some countries and how they set the minimum capital requirement:

Table 15: the minimum capital to MFIs required by different countries

Country	Type of institution	Absolute amount of the minimum capital required
Bolivia	Private financial fund	870,000
	Open savings and loan cooperative category 1 to 4	207,000 to 7,600,000
Ethiopia	microfinancing institution	24,000
Ghana	rural bank	62,000
	deposit taking institution NBFi	1,900,000
Honduras	first tier financial private Development Organization FDPO	60,000
	second FDPO	600,000
Indonesia	BPR in Rural area	56,000
	BPR in Provincial capitals	112,000
	BPR in Greater Jakarta	224,000
Nepal	cooperative Society with limited banking license	13000 to 130,000
Pakistan	MFI operating district wide	1,700,000
	MFI operating province wide	4,300,000
	MFI operating country wide	8,600,000
Uganda	micr Deposit taking institution	270,000

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The experience in Ghana and Philippine³⁴:

The tiered regulatory approach has clearly benefited the development of sustainable microfinance in the Philippines and Ghana. It did so by clearly identifying pathways for non-government organizations (NGOs) and semi-formal MFIs to become legitimate institutions under the regulatory framework, with greater ability to access financial resources from commercial markets. Among the risks that a graduated and tiered regulatory framework might present is that of regulatory arbitrage, whereby organizers of a financial institution seeking a license might choose to be constituted under an institutional format. This institutional format is, in turn, subject to least possible external regulation and supervision, as well as the lowest possible amount of capitalization at entry. Regulatory arbitrage does not appear to have been experienced by the Philippines or Ghana with respect to the MFIs obtaining status as licensed specialized banks.

Many NGOs, organized by private parties as trust entities or charitable institutions under the Law on Trusts and Charitable Institutions, provide both microloans and nonfinancial services. Their credit activities are not regulated, or supervised, by external government agencies. A significant number

³³ GTZ publications, The regulatory framework requirements, A Comparison of Legal Frameworks in 11 Countries Worldwide

³⁴ Joselito Gallardo, A framework for regulating Microfinance institutions, the experience in Ghana and the Philippine

of NGOs and MFIs belong to an umbrella organization:-The Microfinance Council of the Philippines. The Council disseminates the best practice guidelines and standards for governance, operations and performance efficiency.

The Philippines and Ghana have clearly identified pathways for NGOs and semi-formal MFIs to become legitimate institutions under the regulatory framework with greater ability to access financial resources from commercial markets. The foremost examples for Ghana and the Philippines are:

- a. CARD Rural Bank in the Philippines which was formed by the Center for Agricultural and Rural Development. The later is an NGO working with women in rural villages under a group-based microfinance model.
- b. Opportunity Microfinance Bank, which was established recently as a joint effort between the APPEND network of Philippine NGO microcredit institutions and Opportunity International.
- c. Sinapi Aba Trust in Ghana, a successful and sustainable NGO MFI operating in the Kumasi region, which is trying to transform into a licensed community bank with assistance from Opportunity International, but is facing new obstacles of higher minimum capital requirements.
- d. Similar to the Philippines, Indonesia's regulatory framework (see Annex) has allowed the establishment of smaller but licensed unit banks - BPRs, or rural credit banks. Larger microfinance NGOs such as Bina Swadaya and Catholic Relief Services have established, through equity investments and credit lines, their own networks of BPR units providing microfinance services to the poor in urban and rural areas.

Bank of Uganda Policy on Microfinance³⁵:

In 1999, the Bank of Uganda drafted a 'Policy Statement on Microfinance Regulation in Uganda'. This policy was subsequently approved by the Cabinet. The policy spells out the principles of regulations that guided the development of the MDI Bill. The objective was to facilitate the growth of safe and sound microfinance deposit taking institutions.

The policy statement maps out the Bank's future strategy in the regulation and supervision of all microfinance deposit taking entities in Uganda. It also attempts to provide a linkage between established institutions and the small outreach organizations. The key feature of the regulatory approach adopted by BOU is the "Tiered Approach".

The Tiered Approach

BOU is guided by what is feasible for its own operations and conducive for the development of the financial market. BOU regulates microfinance business under a tiered framework. The tiered approach reflects the concept of microfinance as a line of business. It is conducive to the development of a sound microfinance sector. It gives room for more flexibility to microfinance activities, which are still in an experimental stage.

The tiered approach incorporates the fact that it may be necessary to regulate different intermediaries in a different manner. This is one important innovation in the regulation of this type

³⁵ DAVID KALYANGO, BANK OF UGANDA, Uganda's Experience with the Regulatory and Supervisory Framework for Microfinance Institutions, ESSAYS ON REGULATION AND SUPERVISION

of business in Uganda. BOU therefore identified four categories of institutions that can do microfinance business in Uganda.

- The first category (Tier 1) of institutions is banks. Banks are sufficiently capitalized (with a minimum paid-up capital of Uganda Shilling (Ush) 4bn or approx. US\$ 2m) and already meet the requirements for taking deposits as provided for in the Financial Institutions Act of 2004 (FIA 2004). These will be formally allowed to conduct the business of microfinance. One commercial bank, Centenary Rural Development Bank has been doing microfinance business for many years.
- The second category (Tier 2) of institutions is Credit Institutions. These institutions are also sufficiently capitalized (with a minimum paid-up capital of Ush. 1bn or US\$ 500,000) and already meet the requirements for taking deposits as provided for in the FIA 2004. Like banks, credit institutions will be able to do microfinance business. Commercial Microfinance Limited, a credit institution, is already doing microfinance business as its main activity.
- The third category (Tier 3) includes all institutions referred to as Microfinance Deposit-taking Institutions (MDI). MDIs are regulated, supervised and licensed to accept public deposits. A minimum required capital is defined such that it is sufficient for deposit-taking and intermediation. Capital adequacy ratio for MDIs is 15% of risk weighted assets, while it is only 8% for commercial banks. MDIs are also required to maintain liquid assets of 15% of their total deposits.
- The fourth category of institution (Tier 4) comprises two types of institutions. First, all non-deposit taking institutions such as credit-only NGOs or any other non deposit taking initiatives (although they are allowed to use forced savings as long as these funds are not intermediated).

ANNEX 6

Ministry of Youth & Sports

National Project for Job Creation Opportunities for Youth

Integration and Incorporation Youth Strategy within Microfinance Matrix

Strategic objective	Programmes/ Policies/ regulations	Purpose	Timeline to achieve the objective	Indicators and Milestones	Responsible Executive Body (major)	Responsible Executive Body (minor)
Establish specialized youth employment commission at the federal level	<ul style="list-style-type: none"> Including specialized microfinance and SMEs units Conducting policies related to youth that integrate other federal level policies Develop special Act and legislation to establish the commission of youth self employment 	<ul style="list-style-type: none"> Work on supporting and advocating youth self employment Coordinating for youth financial inclusion Help with the establishment of youth units at state level and provide them with technical assistance Work to establish business support unit, incubators, and support YMFI and other windows to develop 	1 year	Getting the organization structure and the act of establishment ready in three months	Ministry of youth and Sport	The Council of Ministers

		youth products				
Mobilize youth ministries at the state level to legalize the youth units.	<ul style="list-style-type: none"> Restructuring and reorganizing of the States' youth ministries to involve well established youth employment units. 	<ul style="list-style-type: none"> Better support and advocacy on youth concerns Develop the state's policies and programme related to youth's self employment and microfinance Conducting a specialized awareness and volunteering sessions to youth. Support the youth commission at the federal level 	1 year	<ul style="list-style-type: none"> Special act and legislation endorsed by the State legislative council in three months Conduct training to youth units' personnel 6 months 	Youth Ministries at the state levels	Ministry of Youth and Sports
Work on youth Segmentation and mapping to make the stakeholders better informed about this sector	Data base about capabilities and advantages, challenges and weaknesses, ages, gender type, etc	<ul style="list-style-type: none"> Help with securing work assets Organize and train them as needed Create an add value advantages value chaining and connect up and down streams 	2 years	At least 4 states finalized their data based after 9 months	Youth Employment Commission	Donors (UNDP)
develop effective tools for better provision of specialized financial and non financial services to youth by activating MFIs and other non banking	<ul style="list-style-type: none"> Establishing specialized business support units Rehabilitating the existing Youth vocational Centers and schools Support the specialized YMFI by 	<ul style="list-style-type: none"> Vocational training skill transfer training Business skills training Financial and awareness training. Youth Microfinance products and services Intermediate for youth at commercial banks windows 	3 years	Provide services for at least ----- by the first year	Youth Employment Commission	<ul style="list-style-type: none"> MFU-CBOS Ministry of Labor SMDF Ministry of Finance Universities at the state levels States

institutions	<ul style="list-style-type: none"> providing capital and technical assistance • Business incubators 	<ul style="list-style-type: none"> • Connect youth to markets • Connect youth to resources 				<ul style="list-style-type: none"> governments • Commercial banks
Give a special attention for the incorporation of financial education and awareness among the youth	<ul style="list-style-type: none"> • Awareness and promotion campaign programmes. • Inclusion of micro and small finance in the general and high education framework 	<ul style="list-style-type: none"> • Broadcasting and TV programmes. • Youth Parliament activities. • Design and prepare microfinance and SMEs curricula • Workshop and conferences. • Research and studies • Competitive schemes programmes 	3 years	<p>Specialized workshop by three months</p> <p>Execution of competitive schemes by three month</p> <p>Inclusion of microfinance into 3 universities by year one</p>	Youth Employment Commission	<p>UNDP, MFU-CBOS, universities</p> <p>Other Donors</p>
Encourage NGOs and youth voluntary bodies to target youth segment particularly in the ongoing and post conflict areas	<ul style="list-style-type: none"> • Raise National NGOs' capacities • Provide incentives to NGOs to target youths 	<ul style="list-style-type: none"> • Financial inclusion at post conflict areas, women, vulnerable group. • Raise donation funds. • Financial intermediation to banks 	3 years	Clear policy being approved to encourage NNGOs to work on youth financial intermediation	Youth Employment Commission	<p>MFU-CBOS,</p> <p>HAC,</p> <p>UNDP</p>
Build better partnership with MFU-CBOS to focus	<ul style="list-style-type: none"> • Draw a five year microfinance business plan • Reform the 	<ul style="list-style-type: none"> • Develop a plan of action to follow the execution of youth's financial inclusion policy reform 	3 years	Part of the annual financial policy for the year 2012	MFU-CBOS	Youth Employment Commission,

more on youth financial inclusion	<p>regulatory frame work in certain related areas</p> <ul style="list-style-type: none"> • Develop a specialized guideline circular for the banking sector focusing on youth • Work on establishing collateral and insurance microfinance institutions 	<ul style="list-style-type: none"> • Empower youth to financial inclusion 		being about youth		Ministry of Finance
Build better partnership with the Ministry of Investment at the federal level and with the commission at the federal level	<ul style="list-style-type: none"> • Amend legislations, facilities that connect large investment to micro and small project. • Amend legislation that protect, encourage youth to channel self employment entrepreneurship • Provide investment facilities to youth collective projects 	<ul style="list-style-type: none"> • link youth to markets • Encourage and protect youth enterprises 	3 years	The establishment of special act or legislation after 2 years	Ministry of investment	Youth Employment Commission
Build better partnership with State governments	<ul style="list-style-type: none"> • link investment to SMEs and value chaining • Allocate resources to youth projects. • Provide facilities to youth investment • Land tenure 	<ul style="list-style-type: none"> • Localize the commission policies supporting youth into the state and localities. • Support states that affected by war and conflicts 	3 year	<ul style="list-style-type: none"> • Memorandum of understanding • Amendment of investment Act and legislations • Rehabilitation 	-	-

	registration for collaterals			of youth centers		
	<ul style="list-style-type: none">• Create a conducive environment to NGOs specialized on youth entrepreneurship development					

ANNEX 7

Youth Microfinance Institution Profile - Initiative at the Federal level

Background:

Youth Microfinance Institution is a microfinance entity specialized in youth financing. It has been established by Youth Stability Projects Organization (مشاريع استقرار الشباب), one of the bodies supported by the National Union Federation for Sudanese Youth, since September 2010. The institution considers its role is to lead the youth microfinance market by providing innovative and sophisticated services for youth groups and work to develop their capacities and increase their contribution to the economy.

The objectives:

The basis upon which the institution has been founded:

- Culture of self-employment and motivation of young people to veer to production areas in all fields and support them achieve the desired success.
- Design programmes and set plans and innovative projects that open employment windows and increase youth employment rates.
- Work on the stability of the society by improving the living conditions of young people, poor families and support projects with clear cut social objectives.

The present outreach status:

The Youth Microfinance institution provides loans to youth, in the age group 18 to 45 years. It has started with three branches in Khartoum, the national capital, with full support from MFU-CBOS. At the same time it started to develop financial intermediation product line in other states including North Kordofan, the White Nile and Al Gezira states.

Since March 2011, the institution has been able to launch activities as follow:

Accumulated disbursed loans	16039830	SDG
Active loan amount	16039830	SDG
The number of active clients	586	clients
The average loan amount	2800	SDG
the number of active women	118	client
Percentage of women to the active clients %	41%	%
Compulsory savings to portfolio	2%	%
The average loan term	15	months
The number of branches	3	branches
The number of loan officers	12	officers

YMFI products:

Generally the institution starts conventionally like any other institution. It provides loans in lending patterns for individuals and for groups but the institution is currently developing products targeting youth requirements such as:

- Shabab Sahha, which mean in Arabic youth running health care. The main feature of this project is that it targets graduated from medical colleges seeking and encourage them to establish private health care centers at impoverished headquarters. The finance will be disbursed through Musharaka mode of finance: allocating 10% of the shares to youth group, 30% to YMI and 60% for the Bank of Khartoum and eventually the Bank of Khartoum and the institution will sell their shares to the youth group.
- Adeela woo Zain, this product targets young women who work in producing home-based products through providing them with microloans. The repayment will be effected on weekly basis via a Sanduk/ Khattah groups.
- Al Gafas Al-Zahabi, which is the spending loan to cover youth requirement to get married. This product is a midway between savings and loans and is aimed to encourage youth to save.

Challenges:

The major challenge that faces the institution is the weak capacity to meet the minimum capital requirement as demanded by the Central Bank of Sudan. This is a prerequisite to be qualified for working in other states. The sum required is SDG 1 million, minimum. Other challenges include the instability factors in post conflict areas.

The future of YMFI:

In general the institution was set to specialize in youth microfinance, however this specialization will meaningless if the institution still work among persons in their 40's. Also there is need to focus more on providing qualitative methods to achieve the set objectives: build its own competitive advantages. There is need also to concentrate on savings rather than lending. This is an area that needs more study.