REPORT NO.: RES38724

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SPECIAL FINANCING FACILITY FOR LOCAL DEVELOPMENT
APPROVED ON JANUARY 11, 2016
TO
MINISTRY OF FINANCE

URBAN, RESILIENCE AND LAND
AFRICA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
<th>Original EA Category</th>
<th>Current EA Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF-A4904</td>
<td>Investment Project Financing</td>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>TF-A1715</td>
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</table>

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
<tr>
<td>11-Jan-2016</td>
<td>30-Nov-2019</td>
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<tr>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>Ministry of Finance</td>
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</table>

Project Development Objective (PDO)

Original PDO

To support the construction and reconstruction of infrastructure and the development of public service delivery capacity in targeted areas of Somalia and support the Federal Government and Interim Administration capacity to respond to an eligible crisis or emergency.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</th>
<th>Disbursed</th>
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<td>30-Nov-2019</td>
<td>6.00</td>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No
I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. Project Status

The Special Financing Facility for Local Development (SFF-LD) has been effective since January 25, 2016 and has a current project closing date of November 30, 2019 (The original closing date was December 31, 2017). The Project is financed by the Somalia Multi-Partner Fund (MPF) (TF0A1715) (USD6 million), as well as the State and Peace Building Trust Fund (SPF) (TF0A2683) (USD 2.8 million). The Project Closing Date was extended in June 2019 from June 30, 2019 to November 30, 2019.

The overall progress in the Project is rated as Moderately Satisfactory and the Project Development Objective remains achievable. While there has been good implementation progress and all civil works have now been completed, the overall rating for the Project is rated as Moderately Satisfactory due to the initial delays faced in implementing sub-projects. The Project Implementation Unit (PIU), situated in the Ministry of Finance (MOF), performance is satisfactory and there are no overdue audit reports for this Project.

The USD 2.8 million SPF grant financing channeled through the project CERC, enabled a Government-led response to a drought that brought Somalia to the brink of famine in 2016/2017. These emergency response activities were implemented through an NGO consortium – Building Resilient Communities in Somalia (BRCiS) in seven districts. The Trust Fund supporting the CERC (TF0A2683) closed on August 31, 2018 and USD 2.6 million of the USD 2.8 million was fully disbursed. Of the MPF Grant (TFA1715), USD 5.95 million has been disbursed to date, representing an 99.15 percent disbursement rate. The remaining balance will be used to finance costs for key PIU staff until the end of March 31st, 2020 (requested date for extension).

2. Rationale for Extension

Background

The poor 2018 Deyr rains (October – December) and the poor rainfall forecast in the 2019 Gu Season (March – June) is resulting in a moderate to severe drought crisis in most of Somalia. Food security outlook has deteriorated between April and June 2019 due with further deterioration anticipated through September 2019. The UN Integrated Food Security Classification Phase Classification (IPC) projects that over 2.2 million people in Somalia are expected to be in emergency or crisis phase between July and September 2019.

Furthermore, the current (November 2019) floods situation in Somalia have also had a devastating impact. A rapid floods assessment is currently being considered to estimate the extent of the flooding damages and needs. Bank senior management have recently assured the highest leadership levels of of Somalia, to support the country in recovering from the present spate of disasters and building capacities for addressing the structural drivers of the country's vulnerability to natural hazards.

Government Request for Extension of Closing Date

The Federal Government of Somalia (FGS) has, through its letter dated October 26, 2019, requested an extension of the closing date for the Project, primarily to allow time for a restructuring and additional financing of the project, to scale-up its successfully piloting of drought recovery interventions of 2017 to apply to the presently evolving drought
conditions in the country, and to test the model for developing a multi-hazard disaster preparedness and response model for the country.

Furthermore, RVP-level approval is required because as per the IPF guidelines, the requested closing date of March 31, 2020 is more than 24 months from the original closing date of December 31, 2017.

Task Team Assessment and Supporting Rationale for Closing Date Extension

The Task Team, with support from the Somalia Country Management Unit (CMU), is of the view that a strong rationale for an extension of closing date exists on the grounds, that it will: (a) enable the Bank to support ongoing efforts for enhancing the coping capacity of vulnerable populations across Somalia, to withstand the present natural hazard shocks in the country including an evolving drought as well as massive flooding in parts of the country; (b) support community-level recovery and future preparedness activities in the medium term, for recurring drought and flooding events in Somalia, and; (c) strengthen capacities of the FGS and FMS (Federal Member States) for government-led planning and coordination of current and future disaster preparedness and recover as well as addressing the structure drivers of vulnerability to disasters.

Further Substantiation and Implementation Modalities

Given the SFF-LD’s successful pilot of a government led and managed drought response in 2017 through its Contingency Emergency Response Component (CERC) component, a management decision has been taken to restructure the project and provide additional financing of USD 10 million to enable a scale up of the initial set of drought response activities. The restructured project will also incorporate measures to build the capacity of the government to analyze data, manage an emergency response and plan for early recovery, and will involve support to the Ministries of Finance; Planning, Investment and Economic Development; and Humanitarian Affairs and Disaster Management (MoHADM) and other relevant Ministries. An extension until March 31st, 2020 would thus allow sufficient time for this wider restructuring/additional financing to be processed.

II. DETAILED CHANGES

### LOAN CLOSING DATE(S)

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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</thead>
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