Public Disclosure Authorized

REPORT NO.: RES43396

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SUSTAINABLE LIVELIHOODS FOR DISPLACED AND VULNERABLE COMMUNITIES IN EASTERN SUDAN: PHASE 2

APPROVED ON JULY 19, 2016

TO

REPUBLIC OF SUDAN

Public Disclosure Authorized

SOCIAL SUSTAINABILTY & INCLUSION

AFRICA EAST

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Ousmane Dione
Global Director:	Louise J. Cord
Practice Manager/Manager:	Helene Carlsson Rex
Task Team Leader:	Murat Onur

BASIC DATA

Product Information

Project ID	Financing Instrument
P158066	Investment Project Financing
Original EA Category	Current EA Category
Approval Date	Current Closing Date
19-Jul-2016	30-Nov-2020

Organizations

Borrower	Responsible Agency
Republic of Sudan	Kassala State Ministry of Finance, Economy, and Labor

Financing (in USD Million)

SUMMARY

Total Project Cost	0
Total Financing	0
Financing Gap	0

DETAILS

Project Development Objective (PDO)

Original PDO

To strengthen the capacity of local stakeholders including state authorities, displaced persons, and vulnerable host communities, to plan and implement improved livelihoods and natural resource management practices.

Summary Status of Financing (US$, Millions)

TF	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-B1888	12-Dec-2019	08-Mar-2020	08-Mar-2020	30-Nov-2020	.50	.28	.22
TF-A3002	23-Nov-2016	29-Nov-2016	29-Nov-2016	31-Jan-2020	4.28	4.28	0

Policy Waiver(s)

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

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Sustainable Livelihoods for Displaced and Vulnerable Communities in Eastern Sudan Project Phase II was approved in March 2016 and became effective in December 2016. The original project was financed by two grants provided by the State and Peacebuilding Fund (SPF), including a recipient-executed grant of US$4,285,000 (TF0A3002) and a US$150,000 grant executed by the Bank on behalf of the recipient (TF0A3003). The project was restructured twice, first in July 2019 and second in December 2019, the latter which included an additional financing grant from the Sudan Multi-Partner Fund (SMPF)/Sudan Transition and Recovery Support (STARS) in the amount of US$500,000. The table below provides a summary of changes to date:

Table 1. Project restructurings

Date	Objectives
July 2019	The restructuring included the following: (i) no-cost extension of the closing date from July 2019 to January 2020; (ii) reallocation of funds between disbursement categories; (iii) adding travel as an eligible expense category under TF0A3003; and (iv) revision of the project results framework.
December 2019	The restructuring was undertaken to process (i) an additional financing grant in the amount of US$500,000 and extending the closing date from January 2020 to November 2020; (ii) extension of closing date of TF0A3003 from January 2020 to April 2020; and (iii) updates to the project results framework.

2. The additional financing grant was approved in December 2019 to finance new livelihood support activities focusing on promoting youth entrepreneurship in Khartoum and Kassala states. New activities comprise of technical support and financing to young entrepreneurs to pursue small business endeavors through partnerships with incubators, universities, social enterprises and microfinance institutions. The project's original activities under the SPF grants were fully completed in January 2020 (TF0A3002) and April 2020 (TF0A3003), respectively, despite the delays onset by the country's economic crisis, revolution and the subsequent triggering of World Bank policy OP7.50 from April to September 2019.

3. In March 2020, the pace of implementation slowed down due to COVID-19 and the movement restrictions that were put in place by the government to respond to the pandemic. In particular, stakeholder consultations and finalization of the partnership arrangements with technical and financial partners were delayed due to COVID-19 restrictions. In addition, due to high inflation, commodity shortages, and fuel scarcity, the project had to make modifications in the technical and financial assistance package for supporting youth entrepreneurs. Despite the initial delays and constraints, the project completed necessary steps for implementation during the lockdown period, including beneficiary identification, activity selection, and establishing the implementation partnerships. In consideration of the delays, the project revised the work plan and budget to allow for completion of the planned activities, ensuring the optimal use of project resources.

4. The PDO continues to be relevant and there is continued commitment from the federal and state governments to the project. The project's progress towards achievement of PDO and the overall implementation progress have been rated satisfactory in the last implementation status and results support report (ISR) in August 2020.

5. Due to the implementation delays related to COVID-19 restrictions, this restructuring paper seeks to process (i) a two-month no-cost extension of the project's closing date to enable complete implementation, and (ii) a reallocation of funds between disbursement categories.

II. DESCRIPTION OF PROPOSED CHANGES

6. The proposed restructuring includes two changes: (i) extension of project closing; and (ii) reallocation between disbursement categories.

7. *Extension of the closing date*. The project closing date will be extended from November 30, 2020 to January 31, 2021 to allow for two months for completion of project activities and consolidation of project achievements. The proposed no-cost extension will allow for the delivery of technical assistance and livelihoods subgrants to youth entrepreneurs and cover the operational activities associated with regular project management. The rationale for the two-month extension is twofold. First, given the limited remaining budget, the project can only cover the operational expenses for a maximum of two additional months to ensure effective use of project resources (operational expenses vs. activities). Second, as per Bank policy, there needs to be a period of six months between the grant closing date and the end disbursement date of the trustee fund, which is June 30, 2021. For this restructuring, the task team received a waiver from the WFA for a reduced period of five months between the trustee end disbursement date and the grant closing date, allowing for the proposed grant closing date extension from November 30, 2020 to January 31, 2021.

8. *Reallocation*. The reallocation will allow the project to complete the planned activities and ensure the optimal use of project resources. The modified project work plan and budget has been formulated with oversight from the task team, with due consideration to current and planned financial execution and status of project activities. With regards to component costs, a corresponding amount of US$27,500 will be reallocated from component four to component one. The proposed changes are shown in the tables below.

Table 2. Reallocation between disbursement categories

Category	Original Amount of the Financing Allocated (in US$)	Proposed Reallocation Amount (in US$)
(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops under the Project	223,750	251,250
(2) Subgrants under part IV of the Project	276,250	248,750
Total	500,000	500,000

Table 3. Revised costs per component

Component	Cost	New Cost
Component 1: Development of Local Structures and Capacities (Including Project Management)	1,248,126	1,275,626
Component 2: Analytics and Technical Assistance	150,000	150,000
Component 3: Community Small Works	423,578	423,578
Component 4: Economic Livelihoods and Benefit Trans-passing	3,113,296	3,085,796
Total	4,935,000	4,935,000

9. The proposed changes will not have an impact in the project's development objectives, safeguards, or risks. There are no changes proposed to the component structure or activities. The project's implementation and institutional arrangements remain unchanged by the proposed restructuring. The project's account has been audited up to March 31, 2020 and the audited financial statements for the period January 2019 to March 2020 have been received by the Bank, reviewed and accepted. There are no outstanding audit reports under the project.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓

Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US$M)	Action	Proposed Component Name	Proposed Cost (US$M)
Development of Local Structures and Capacities (Including Project Management)	1.25	Revised	Development of Local Structures and Capacities (Including Project Management)	1.28
Analytics and Technical Assistance	0.15	No Change	Analytics and Technical Assistance	0.15
Community Small Works Support	0.42	No Change	Community Small Works Support	0.42
Economic Livelihoods and Benefit Trans-passing	3.12	Revised	Economic Livelihoods and Benefit Trans-passing	3.09
TOTAL	**4.94**			**4.94**

LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A3002	Closed	30-Jul-2019	31-Jan-2020, 17-Aug-2020		
TF-B1888	Effective	30-Nov-2020		31-Jan-2021	30-Apr-2021

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

TF-B1888-001 | Currency: USD

iLap Category Sequence No: 1 Current Expenditure Category: Gds,Wrks,Ncs,Cs,Oc,Tr,Wrkshops

	223,750.00	69,365.64	251,250.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: Subgrants under part IV of the proj			
	276,250.00	88,290.74	248,750.00	100.00	100.00
Total	**500,000.00**	**157,656.38**	**500,000.00**		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Expected Disbursements (In US$)

Fiscal Year	Annual	Cumulative
2017	0.00	0.00
2018	0.00	0.00
2019	0.00	0.00
2020	0.00	0.00
2021	0.00	0.00