



The World Bank

South Sudan Health Rapid Results Project (P127187)

REPORT NO.: RES32781

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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING

OF
SOUTH SUDAN HEALTH RAPID RESULTS PROJECT
APPROVED ON APRIL 13, 2012

TO
MINISTRY OF FINANCE AND ECONOMIC PLANNING

HEALTH, NUTRITION & POPULATION

AFRICA

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**I. BASIC DATA****Product Information**

Project ID P127187	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 13-Apr-2012	Current Closing Date 30-Sep-2017

Organizations

Borrower Ministry of Finance and Economic Planning	Responsible Agency Ministry of Health
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Project Development Objective (PDO)

Original PDO

The Objectives of the Project are: (i) to improve the delivery of High Impact Primary Health Care Services in Upper Nile and Jonglei states; and (ii) to strengthen the coordination, monitoring and evaluation capacities of the Ministry of Health.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-D1250	27-Jun-2016	02-Feb-2017	23-Mar-2017	30-Sep-2018	40.00	21.63	18.56
IDA-54010	13-Mar-2014	09-May-2014	09-Sep-2014	31-Mar-2018	10.00	9.24	.01
IDA-H9210	13-Mar-2014	09-May-2014	09-Sep-2014	31-Mar-2018	25.00	23.70	.01
TF-12272	20-Apr-2012	20-Apr-2012	02-Aug-2012	30-Sep-2017	28.00	27.96	.04



Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

Summary: This paper seeks the approval of the Country Director for the restructuring of the Health Rapid Result Project (HRRP) (Credit D1250) to allow for an extension of the project closing date from September 31, 2018 to April 30, 2019. Further to this, the restructuring will permit the reallocation of funds between components and disbursement categories to ensure beneficiary populations in the former states of Upper Nile and Jonglei continue to receive essential health services for an additional period (minimum three months). Given the concerns with management of the contract of the current Coordination and Service Delivery Organization (CSDO), Inter-Church Medical Association (IMA) World Health, support to service delivery for the forthcoming months will be done through alternative implementation arrangements (UN contract with UNICEF to play the role of CSDO). Finally, the restructuring will include changes to the results framework. The Borrower requested the restructuring of the project through a letter from the Ministry of Finance and Planning, dated May 10, 2018.

Project Status: The second additional financing (AF) (IDA D1250) was approved in May 2016. Due to an upsurge in conflict in the country, the Financing Agreement was signed only in March 2017 and implementation of service delivery began in July 2017. The project operates in the former states of Upper Nile and Jonglei, where there is continued conflict and insecurity.

Since the start of the project, greater Upper Nile and Jonglei have been constantly besieged by violence and inaccessibility. The project continued implementation in these two states when most other operations pulled back to non-conflict areas. Despite this continued engagement, there have remained design issues that have proven ineffective during upsurges in violence. The project's implementation modalities have not always been as flexible or responsive as needed to the ever-evolving security situation, and as such did not always immediately respond to the target population's changing health needs. Although the CSDO model was designed before the December 2013 crisis to respond to the context of endemic violence, limited access and infrastructure, and population mobility, the upsurge in violence has led to an increased need for emergency health services in a context where insecurity and instability have generated additional challenges in providing support. On one hand it has been successful in delivering basic health care inputs to many citizens of Jonglei and Upper Nile, but on the other hand the ongoing conflict has resulted in the destruction of facilities, displacement of qualified health workers, and shortages of essential drugs and commodities and, as a result, the ability of the project to deliver all anticipated benefits has been significantly curtailed. In addition, accessibility for monitoring remains a challenge, whether it be due to insecurity or access during the rainy season.

The second AF Credit has disbursed 54.1 percent as of end of June 2018. The majority of the undisbursed funds (US\$18.9 million) are already committed through a contract with International Procurement Agency (IPA) for procurement of essential pharmaceuticals (US\$11.5 million); the balance (US\$4.5 million) will be reallocated through this proposed restructuring.

In order to ensure that there is no interruption in support to health service delivery while the new health project is under preparation (Health Services Support Project, HSSP, P164732), HRRP was restructured to extend the closing



date from March 31, 2018 to September 30, 2018, based on the initial processing schedule of HSSP. This was followed by a costed extension of the CSDO contract through June 30, 2018, allowing the provision of basic health services to continue without interruption until the new operation became effective. HSSP, whose Board date was tentatively September 30, 2018, is planned to continue to provide support to the provision of health services in the former states of Upper Nile and Jonglei. Given alternative implementation arrangements for future operations in South Sudan are being explored, the preparation schedule for the new project may take more time than initially anticipated. As such, interim arrangements for supporting service delivery in these zones have been identified, which will be facilitated through this restructuring.

Although service delivery was interrupted from July 2016 through June 2017 between the first and second additional financing and there have been significant challenges in implementation of the CSDO contract, the project is on track to meet many of the expected targets for which there is data available. Currently, the number of health facilities supported by IMA World Health has increased from 194 in mid-2017 to 224 in March 2018, but these numbers remain in question due to challenges faced by Liverpool School of Tropical Medicine, the firm contracted by the Ministry of Health (MOH) to conduct third-party monitoring for the project. The new CSDO contract for provision of services, to be signed as a result of this restructuring, will include an updated mapping of existing facilities.

While it is clear that HRRP has provided health services in the two states, results from the project show that coverage remains ineffective due to various reasons: (i) upsurge in instability and violence not allowing the CSDO to provide services in multiple localities; (ii) inability to monitor and verify results in the majority of the two states (verification and monitoring teams are often not allowed into opposition-held territory or cannot due to the insecurity); (iii) perceived (and probable) non-neutrality in service delivery support across areas held by the government and opposition forces; (iv) ineffective implementation and coordination between the CSDO and its implementation partners (national and international NGOs), leading to a wide disparity in quality and comprehensiveness of support; and (v) limited oversight and ability of the government to provide satisfactory justification/evidence of supplies, drugs and services arriving at their intended destination. Reports from the field point to extremely low levels of effective coverage under the current implementation arrangements; due to insecurity, the Bank task team is not allowed to visit any project sites.

In addition to these concerns, the results of the two recent audits (the annual audit of HRRP for fiscal year 2017 (July 1, 2016 to June 30, 2017) conducted by South Sudan National Audit Chamber, and the independent audit of IMA's disbursements to implementation partners from August 1, 2014 to September 30, 2016 conducted by JY Auditors & Management Consultants) identified significant issues in management of funds and implementation of the CSDO contract. Based on the abovementioned issues, the decision was made to not extend the IMA contract past June 30, 2018, resulting in a potential rupture in service delivery in the two states and reduced access to essential health services for the project's beneficiary populations.

Finally, the overall environment in South Sudan remains highly volatile. Risks for sexual and gender based violence (SGBV), proliferation of small arms, use of rape as a tool of violence, targeting of beneficiaries, and more importantly, challenges in ensuring equity in the provision of services in opposition areas, all contribute to implementation challenges that the project faces.

Project management, monitoring and evaluation: While details on financial management and procurement aspects are provided in specific sections below, it should be noted that the overall performance of the project with regards to project management, monitoring and evaluation remains a significant challenge. The last ISR downgraded the performance with regards to Project Management from MU to U, with Monitoring and Evaluation staying at MU.



Many of the challenges the project is currently facing, in particular those related to the CSDO contract with IMA, are due to ineffective and passive management and coordination of the project activities by the project management unit (PMU) and MOH overall. The PMU does not have key data or documents related to the CSDO contract on hand and has dealt with IMA who is often unresponsive or unwilling to provide key documents (for example implementing partner sub-contracts). While there are several key staff who continue to perform well and maintain a clear understanding of how the project functions (in particular, the procurement and financial management specialists), the Bank task team has to be continuously proactive in nudging the PMU to conduct routine activities or gather essential data and documentation. It is clear that several of the PMU staff are uninformed and unmotivated to play an active role in project management, coordination and monitoring.

In addition to these larger concerns, the project manager who had been in place since the beginning of the project, was abruptly suspended by MOH senior management on May 18, 2018 due to poor performance and continued unauthorized absences from the office, without any consultation with the Bank task team. The project's health planner was put in place as acting project manager. While the new acting project manager has stepped into the new position and made significant efforts to ensure continuity in project coordination, much of the institutional memory and knowledge with regards to project management left with the staff who was suspended. In addition to these changes, the field health officer who was supposed to be based in the field in Upper Nile and Jonglei is still working from Juba "due to security concerns," resulting in ineffective hands-on monitoring of the project's activities that was supposed to be achieved through these positions.

Financial Management: The current accounting capacity maintained at the PMU, which is comprised of a finance officer supported by a consultant financial management specialist, is deemed adequate. The project is up to date regarding submission of quarterly interim financial reports (IFR) to the Bank; the latest IFR for the quarter ended March 31, 2018 was submitted on time. The level of disbursements is, however, considered low with only four months remaining to project closure. The latest financial management supervision review highlighted internal control weaknesses leading to ineligible expenditures of US\$59,331.82, which the Government reimbursed on July 13, 2018. The audit report on the project financial statements for the year ended June 30, 2017 was submitted to the Bank on June 29, 2018 due to significant delay in contracting the audit firm. The auditor expressed unqualified/clean opinion on the financial statements but included an emphasis of matter paragraph on total disbursements of US\$8,806,513 made to IMA World Health during the financial year, which could not be fully verified because they had been utilized in the following financial year. The auditor also flagged internal control weaknesses in the management letter, including weak control of assets, advances and weak internal audit oversight, which the project has been asked to address by August 31, 2018. A separate audit report on the financial statements of IMA World Health, covering the period August 1, 2014 to September 30, 2016, was received by the Bank in May 2018 and the auditor expressed unqualified/clean opinion. The auditor's management letter highlighted significant management weaknesses of IMA that should be addressed immediately. These include, to name a few: disparity in the number of health facilities reported; non-compliance with policy on recruitment of sub-implementing partners; failure to adhere to proper contract close-out procedures; weak monitoring and evaluation arrangements; and several others. The management letter also flagged potential ineligible expenditure of US\$788,418.80, which should be refunded by IMA unless proper supporting documents are submitted to the project. A letter from the task team highlighting these weaknesses was sent to the MOH on June 5, 2018 asking for clarification by June 20, 2018. As of July 3, 2018, no response has been provided by the MOH. The latest ISR rating for financial management arrangements was downgraded from MU to U, and the financial management risk rating is deemed High. In addition, there are potential residuals in the CSDO contract (funds transferred to IMA that have not been used) that should be returned to the project accounts. The PMU is actively engaging with IMA to collect relevant information with regards to these unused funds, despite limited reaction.



Procurement: Though the current procurement capacity supported by a procurement consultant is deemed adequate, the contract management capacity continues to decline, especially with regard to CSDO contract monitoring and supervision. As indicated in the financial audit report, the inability to closely monitor and supervise CSDO contracts implementation has led to significant delays in subcontracting and payment from CSDO to its implementation partners. This has led to disorganization and lack of continuity and comprehensiveness in the services being supported by implementation partners. The general country situation continues to negatively impact the contract management and administration in the project areas. The two CSDO contracts (one for Upper Nile and one for Jonglei) with IMA closed on June 30, 2018 after a decision by the Bank to not allow an extension or transfer of additional funds to extend the contract. The management decision was based on the financial audit report and subsequent challenges in project supervision and monitoring. The procurement risk rating remains High.

Environmental and Social Safeguards: There have been significant delays in the finalization of all safeguards documents for HRRP, in addition to having been deferred or postponed several times now. No further deferrals will be received, and the task team has invested heavily in supporting the PMU in finalizing the documents (Social Assessment, Medical Waste Management Plan, and Environment and Social Management Framework). After significant delays and months of exchanges on suboptimal draft instruments, the Bank is currently reviewing the latest versions. In addition, there is no fully functioning grievance redress mechanism (GRM) in the project. The design of safeguard measures will include concrete actions on how to better design a GRM going forward, both for HRRP and the proposed HSSP.

PROPOSED CHANGES

The proposed changes through this restructuring are as follows: (i) extension of the closing date to April 30, 2019; (ii) reallocation of proceeds from Component 3 to Component 1; and (iii) change in implementation arrangements as the CSDO role will be transferred to UNICEF. Mechanisms for safeguards, institutional arrangements, procurement and financial management will remain the same.

Change in Loan Closing Date(s)

The procurement of pharmaceuticals under Component 3 will not be completed by the current closing date. The plans submitted by IPA indicate that they are only able to procure and distribute two out of three planned batches of drugs by the first quarter of 2019. Therefore, the current closing date will be extended from September 30, 2018 to April 30, 2019 to allow for at least two batches of pharmaceuticals to be procured and distributed to beneficiary health facilities.

Reallocation between Disbursement Categories

Funds in the amount of US\$4.5 million equivalent that were originally intended for a third batch of pharmaceuticals to be procured and delivered by IPA will be reallocated from Component 3 to Component 1. As there is not sufficient time to deliver a third batch of drugs, these funds will be utilized to extend the ongoing support for service delivery in Upper Nile and Jonglei for a minimum of 3-6 months starting in July 2018. This would allow the provision of basic health services to continue without interruption until the new project becomes effective and alternative implementation arrangements under the new project are operational. The reduction in funds for Component 3 will not have any adverse effects on completion of activities under these sub-components or achievement of the project development objective.

Change in Implementing Agency



The PMU within the MOH will continue to function as is. While Component 1 will maintain a CSDO to coordinate and finance support to essential health services, UNICEF will be contracted by the MOH to play the role of CSDO for a minimum of three months but potentially longer, depending on cost estimates from UNICEF, which are currently under development. UNICEF was identified by the MOH and the task team as the most appropriate UN agency to step in to this role quickly due to: (i) its presence on the ground with field offices in greater Upper Nile and Jonglei and its significant experience in supporting health and nutrition service delivery in the area; (ii) it is already working with many of the implementing partners and health facilities in supporting the delivery of health and nutrition services; (iii) it has presence in both government and opposition health areas, and has been accepted by the opposition as it has been able to demonstrate its neutrality by providing equal access on both sides; and (iv) it has existing monitoring, verification and reporting mechanisms that can be used to ensure financial and technical reports are provided on a timely basis and of high quality. In addition, UNICEF has accepted to immediately step in to take over the responsibilities of the CSDO and engage with implementing partners to ensure there is no rupture in service provision in the areas supported by the project.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-54010	Closed	31-Oct-2015	30-Jun-2015, 30-Jun-2016, 30-Sep-2017, 30-Mar-2018, 31-Mar-2018		
IDA-D1250	Effective	30-Sep-2017	30-Mar-2018, 30-Sep-2018	30-Apr-2019	30-Aug-2019
IDA-H9210	Closed	31-Oct-2015	30-Jun-2015, 30-Jun-2016, 30-Sep-2017, 30-Mar-2018, 31-Mar-2018		
TF-12272	Closed	31-Oct-2014	31-Oct-2015, 30-Jun-2015, 30-Jun-2016, 30-Sep-2017		

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)
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South Sudan Health Rapid Results Project (P127187)

					Current	Proposed
IDA-D1250-001 Currency: XDR	GDS,WKS,CS,NC S,WKP,TRG,OC part A	12,160,000.00	12,009,053.90	15,328,968.00	100.00	100.00
	GDS,WKS,CS,NC S,WKP,TRG,OC part B	2,870,000.00	696,260.79	2,870,000.00	100.00	100.00
	GDS,CS,NCS,WK P,TRG,OC part C	10,700,000.00	0.00	7,531,032.00	100.00	100.00
	PPF REFINANCING	2,870,000.00	2,653,964.40	2,870,000.00		
	Total	28,600,000.00	15,359,279.09	28,600,000.00		