Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 02-Mar-2023 | Report No: PIDA35531

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Tanzania	P179701	Tanzania - Productive Social Safety Net Project II - Additional Financing	P169165
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Tanzania Productive Social Safety Net Project II	EASTERN AND SOUTHERN AFRICA	31-Mar-2023	01-Jun-2023
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Social Protection & Jobs	Investment Project Financing	United Republic of Tanzania	Tanzania Social Action Fund

Proposed Development Objective(s) Parent

To improve access to income-earning opportunities and socio-economic services for targeted poor households while enhancing and protecting the human capital of their children.

Components

Productive Household Support (Benefits and Services)
Strengthening Institutional Capacity and Integrated Delivery Systems

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	0.50
Total Financing	250.01
of which IBRD/IDA	200.00
Financing Gap	-249.51

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Non-World Bank Group Financing	
Counterpart Funding	6.01
Borrower/Recipient	6.01
Trust Funds	8.00
Trust Funds	8.00
Other Sources	36.00
EC: European Commission	21.00
SWITZERLAND: Swiss Agency for Dev. & Coop. (SDC)	15.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

Tanzania has graduated to a Lower Middle-Income Country (LMIC) status in July 2020 following a long stretch of high growth and macroeconomic stability. In the last two decades, Gross Domestic Product (GDP) growth averaged at 6.5 percent annually and was accompanied by strong macroeconomic fundamentals. These included a relatively low inflation pattern with sustainable fiscal and current-account deficits. Growth was largely driven by investments, and private investments were a key driver of total investments, comprising about three quarters of them. The country's journey from a low-income economy to LMIC status has not only resulted in higher incomes but also improvements in infrastructure and social indicators. Encouraged by this strong historical performance, the 2025 Tanzania Development Vision (TDV) aspires to transform Tanzania as a middle-income country with well-developed human capital, ample supply of high-quality livelihood opportunities, and broad-based gains in living standards.

With relatively strong pre-COVID buffers, Tanzania's macroeconomic fundamentals have remained largely stable despite recent shocks. The pandemic and global contraction exacerbated the country's existing structural bottlenecks and especially caused devastating impact on the tourism sector and related services, with tourist arrivals plummeting by 60 percent and sector revenues falling by 72 percent in 2021. The impact was initially countered ineffectively by a weak health and economic response. GDP growth slowed from 5.8 percent in 2019 to 2.0 percent in 2020, indicating a moderate impact of the COVID-19 pandemic thanks to relatively strong pre-COVID buffers. In 2021, growth increased to an estimated 4.3 percent. However, as the war in Ukraine and its global economic impact unfolds, Tanzania's GDP is projected to grow by 4.6 percent in 2022, below the potential growth rate of about 6 percent per annum. However, the recovery from the COVID-19 pandemic has been accompanied with an uptick in inflation from 3.3 percent in 2020 to 3.7 percent in 2021.

Using the international extreme poverty line of US$2.15 per capita, poverty in Tanzania remained close to 50 percent in 2021. With the COVID-19 pandemic and the war in Ukraine, the growth in total private investments slowed further to an estimated 4.5 percent per year by 2022. The external shock is expected to reduce growth in 2022 by about 0.6 percentage points relative to the pre-war scenario. With slowing private sector activity, the sensitivity of poverty rates to aggregate economic growth also decreases. In the medium term, sustaining the historically high growth rates and boosting economic resilience will require lifting low-income Tanzanians by deepening inclusiveness.

Rising temperatures, longer dry spells, more intense heavy rainfall and sea level rise make Tanzania the world's 26th most vulnerable country to climate risks.[1] Depending on the scenario, temperature in Tanzania is projected to rise by between 1.4 and 3.6 degrees Celsius by 2080, compared to pre-industrial levels, with higher temperatures and more temperature extremes projected for the east of the country. Precipitation trends are highly uncertain and project little change to an annual precipitation decrease of up to 42 mm by 2080. Future dry and wet periods are likely to become more extreme. Under RCP6.0, the sea level is expected to rise by 41 cm until 2080. This threatens Tanzania's coastal communities and may cause saline intrusion in coastal waterways and groundwater reservoirs. Climate change is likely to cause severe damage to the infrastructure sector in Tanzania. Especially transport infrastructure is vulnerable to extreme weather events, yet essential for trading agricultural goods. Investments will need to be made into climate-resilient infrastructure. The population affected by at least one heatwave per year is projected to rise from 2 percent in 2000 to 19 percent in 2080. This is related to 22 more very hot days per year over this period. As a consequence, heat-related mortality is estimated to increase by a factor of more than three by 2080. This points to the continued need for a strong social protection system and for social assistance programs to be in place to shield especially poor and vulnerable households not only from economic but also from climate-related shocks.

Sectoral and Institutional Context

In August 2012, the First Productive Social Safety Net (PSSN I thereafter) Project became effective. This IDA operation supported and was the main financing source behind the design, piloting, and mass scale up of a national social assistance program targeting the extreme poor in Tanzania. The PSSN I project, implemented by Tanzania's Social Action Fund (TASAF), aimed to create a national safety net whilst establishing the building blocks of a permanent and broader social protection system in the country. Since their inception, the PSSN project series of IDA credits have been a key structural, financial, and implementation support tool behind the implementation of the national flagship social assistance program in the country. The key elements of the PSSN program are: (i) a Conditional Cash Transfer (CCT) program, providing financial support to poor and vulnerable households in Tanzania conditional on their use of health and education services; (ii) public works for PSSN households with labor capacity; and (iii) livelihood enhancement activities.

Since the launch of PSSN, the Government of the United Republic of Tanzania (GoURT) maintained its commitment to continue investing in PSSN and the program was designed (and continues to be) fiscally affordable in macroeconomic sense. While the program continues to use financing from IDA and other Development Partners (DPs) for the larger portion of its financing (with IDA being by far the largest and longest-standing contributor to the PSSN program), GoURT has been gradually increasing its co-financing share of the PSSN program over time, using domestic revenue. Overall, the fiscal requirement of the PSSN program is low by international standards, especially given the importance of the program as the primary safety net in the country. As currently designed, PSSN costs approximately 1.5 percent of the country's gross domestic product (GDP) over a 4-year period, or about 0.375 percent of GDP per year, which is aligned with similar programs around the world and, when added to Government financed social assistance spending, would yield a total expenditure on social assistance of about 0.60 percent of GDP.

In 2013, GoURT rapidly scaled up the PSSN program with the objective of halving extreme poverty by 2015. The goal

[1] https://www.climatelinks.org/resources/climate-risk-profile-tanzania

was to reach one million households in the country (15 percent of the total population) by the closing of the first phase of PSSN. Said goal was achieved well ahead of schedule with the program witnessing a massive scale up in 2015 and reaching a coverage of about 70 percent of all villages in the country. Following the successful implementation of the first phase of the PSSN program, which went in parallel with PSSN I, the design of the second phase of the PSSN program (which was to be parallel to the second PSSN IDA project (PSSN II) was finalized in early 2019 and approved by the World Bank's Board of Executive Directors on September 12, 2019. The financing agreement for PSSN II was signed on October 7, 2019, and the operation became effective on December 13, 2019.

Over a decade into the implementation of PSSN, the overwhelmingly positive impacts of PSSN on poverty and on poor households are well documented. During PSSN I, based on the midline evaluation of the program, jointly carried out by the World Bank and GoURT,[2] households getting cash transfers experienced an extra 10 percent reduction in poverty relative to those that didn't, accompanied by a 20 percent boost in monthly consumption. The 2020 NBS/WB Poverty Assessment found that in the absence of the program, the poverty rate would be at least 2 percentage points higher. To put it differently, Tanzania would have one million more poor individuals if it were not for TASAF's program. The program is contributing to the development of human capital among poor families. Improvements have been observed on children's school enrollment and literacy, attendance of regular maternal and child health services by mothers, health insurance registration, food security, and assets accumulation.[3.]

Despite these achievements, the progress towards the "institutionalization" of TASAF and PSSN, and towards defining a medium- and long-term vision for the program and the social protection sector has been limited. The PSSN program continues to heavily rely on Donor Partners' contributions, with World Bank IDA resources being the largest portion of the resources available to PSSN's implementing agency, TASAF, which continues to be – in legal terms – a donor-financed project implementation unit, with all operating costs funded by donors. At the same time, and even though the design of PSSN II was aligned with the draft National Social Protection Policy (NSPP), the policy has been awaiting GoURT's approval since 2015. The NSSP would provide an institutional, legal, and administrative framework around social protection in Tanzania and would formally anchor TASAF and PSSN in the country's government structures. Finally, a sustainable financing strategy to support the implementation of the policy continues to be missing. Such financing strategy would need to address the issue of PSSN's medium- and long-term financing, identifying a feasible transition plan to gradually transition PSSN from an almost entirely donor funded program to a recurrent budget item financed, for a sizeable portion, by public resources.

C. Proposed Development Objective(s)

Original PDO

To improve access to income-earning opportunities and socio-economic services for targeted poor households while enhancing and protecting the human capital of their children.

Current PDO

The PDO remains unchanged.

[2] https://documents1.worldbank.org/curated/en/150071582090321211/pdf/Evaluating-Tanzania-s-Productive-Social-Safety-Net-Findings-from-the-Midline-Survey.pdf

[3] The program increased the likelihood of ever being enrolled in school and of being currently enrolled by approximately 10%. Households in the program were also 10 percent more likely to visit a health provider when sick, with an even higher increase (20%) for under-fives, a demographic for whom behavioral change is explicitly targeted through conditionalities. The program also enabled poor households to protect against future risks: the likelihood of having any savings grew by 30 percent among treated households, they accumulated 7 percent more assets, and experienced a threefold increase in health insurance registration.

Key Results

The Project Development Objective will be measured through the following indicators:

- Direct project beneficiaries (number), of which female (percentage)
- Proportion of beneficiary households with food consumption score above "poor level" (percentage)[4]
- Proportion of benefits reaching the poorest 20 percent of the population (percentage)
- Eligible beneficiary households' representative involved in functional income generating investments one year after receipt of livelihood grant (percentage) of which female (percentage).
- Primary school completion rate for children from beneficiary households (percentage)
- PSSN beneficiary households reporting benefits from community assets created through Public Works (percentage)

D. Project Description

Building on PSSN I, PSSN II was designed to achieve its objectives through the implementation of a sequence of integrated interventions. The combination of livelihood enhancing activities (often referred to as productive inclusion activities) and cash transfers is envisioned to increase household income through building household level assets, enhance risk management, and facilitate a shift to more productive types of employment. Public works have been designed to create productive assets at community level and provide temporary employment opportunities to beneficiary households, further increasing household income to mitigate food shortages during the lean season. At the same time, cash transfers are to build human capital of children to ensure that they become productive members of society over time, and that beneficiary households can meet their consumption needs during the livelihood strengthening process. Overall, this three-pronged approach has been envisioned to strengthen household level resilience and diminish vulnerability to shocks over time, thereby enabling a significant number of households to either graduate or exit PSSN over time.

Activities under PSSN II were (and will continue to be) structured around two components, with respective subcomponents:

- Component 1: Productive Household Support (Benefits and Services)
- Subcomponent 1.1. Cash Transfers (CTs)
- Subcomponent 1.2. Public Works (PW)
- Subcomponent 1.3. Livelihoods Support (Productive Inclusion) (LS)

- Component 2: Strengthening Institutional Capacity and Integrated Delivery System
- Subcomponent 2.1. Institutional Capacity Enhancement
- Subcomponent 2.2. System development

The AF will be used to: (i) fill a pre-identified financing gap; (ii) to sustain the scale up of all program activities – especially that of the public works and livelihoods enhancement – although with a reduction of some intermediate targets relative to the design of the parent project; (iii) compensate for the program scale-up beyond the targets envisioned at design due to the extraordinary circumstances imposed by the global COVID-19 pandemic; and (iv) compensate for the accrued delays by allowing for a longer period of implementation. Therefore, the bulk of the financing will be added to Component 1: Productive Household Support (currently totaling US$ 731.90 million - of which IDA US$372.85 million equivalent). Because of the importance of addressing the issue of PSSN's sustainability, the AF will also include technical assistance and will allow the further development of for the ongoing policy dialogue to speed up the transition of PSSN into a permanent and recurrent budgetary item, towards the adoption of national strategic documents establishing the legal, administrative, and financial principles of a well-functioning Government-owned social protection system. The AF will also

[4] http://documents.wfp.org/stellent/groups/public/documents/manual_guide_proced/wfp197216.pdf

be accompanied by a project restructuring to adjust its results framework, recalibrate project costs by component, and to sustain the scale up of public works and livelihood enhancement activities in line with the intended objectives of the program.

With the additional financing, the extended remaining life of the project will also see the beginning of the implementation of an exit strategy for some beneficiaries, starting with those households in villages that have been in the program for the longest, and which have benefitted from both cash transfers and public works. Around 400,000 out of 1.4 million households will be phased out of the program over the next two years of the AF through a poverty recertification exercise. This exit was foreseen at program design and will not affect the achievement of the overall targets for the CCT subcomponent over the project cycle (which have already been exceeded).

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

The implementation arrangements for the AF are preserving the arrangements for the parent project, including Financial Management and Procurement. The TASAF Management Unit (TMU) will continue to take full fiduciary responsibility for the project and a fiduciary team is in place with adequate skills. Under Disbursement Arrangements, PSSN II will continue to use advances, reimbursement, direct payments, and special commitments as disbursement methods. A Project Procurement Strategy for Development (PPSD) and a Procurement Plan (PP) have been prepared. TASAF will revise its GRM manual, which will include a detailed process on how to handle GBV related grievances, will appoint a focal person in each village to handle grievances from the beneficiaries and will train the focal points on handling, reporting, and referring GBV survivors to relevant pathways (police, health facilities, legal services, and psychosocial support). The AF will include technical assistance and will see the continuation of the ongoing policy dialogue aiming at institutionalizing both the PSSN program, TASAF, and the social protection system in the country.

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