1. Country and Sector Background
The 1993 Tanzania Poverty Profile (Report No. 12298-TA) indicates that about 50 percent of all Tanzanians live in households classified as poor, while 36 percent of all Tanzanians live in households classified as "hard-core" poor. Poverty is particularly prevalent in rural areas with 85 percent of the poverty incidence. The poverty profile also shows that there are stark differences between the poor and better-off households in their access to water, health and education. Key strategies identified to reduce poverty--in addition to accelerated growth-- include the encouragement of non-farm employment for the poor, investment in their human capital, including in the care and protection of young children in order to strengthen human capital assets for the future, and improvements in basic economic infrastructure. The Government's basic strategy to reduce poverty--supported by the Bank in its Country Assistance Strategy (Report No. 16554-TA)--relies on raising growth performance and extending access to basic social and economic services. The Government therefore continues to undertake economic reforms to maintain macro-economic stability and generate economic growth. Alongside economic reforms, the Government is also disengaging from productive activities, resulting in privatization of parastatals, civil service reform and public sector retrenchments, in order to focus its full attention on core public sector activities. To that end, the Government is changing the overall
structure of the Central-Local Government relationship and continues to reform its public administration. The Local Government Act of 1983 has been revised and approved by Parliament (February 1999). The project will therefore be designed and implemented within the framework of this Act. The Government’s Social Sector Strategy (The United Republic of Tanzania, Social Sector Strategy, October 1994) recognizes the role of households in investing in the health, education and well being of its members. Rather than being passive recipients of publicly provided services, households are seen as active participants in choosing and supporting the services that offer concrete benefits to the population. The Government is pursuing a participatory approach that is advocating the active involvement of beneficiaries, NGOs and the private sector.

2. Objectives
The objective of TASAF is to increase and enhance the capacities of communities and stakeholders to prioritize, implement and manage sustainable development initiatives and in the process improve socio-economic services and opportunities. The proposed project will help Government sustain the momentum of ongoing reforms by facilitating improvements in socio-economic infrastructure, enhancing capacity and skills among rural and peri-urban communities, and creating a temporary safety net for the poorest sections of communities. In this regard, the Tanzania Social Action Fund (TASAF) activities are designed to improve basic social and economic services and protect vulnerable groups, including young children, while the positive impact of the ongoing structural adjustment and administrative reforms takes hold. Specific attention will be given to the HIV/AIDS epidemic, the involvement of civil society and non-governmental organizations, including faith based organizations, and rural development issues. In the process, communities will be enabled to take charge of their development process, thereby facilitating the changing role of Government from a provider of services to a facilitator of economic agents.

3. Rationale for Bank’s Involvement
The Bank’s experience in working successfully with social funds during the last decade is key to the Government’s request for assistance. In developing the basic concept for TASAF, the Government has taken into consideration documentation published by the Bank and its project preparation team has carried out a study tour to Malawi to review Malawi’s experience with a similar IDA financed social fund (MASAF). The Bank’s technical expertise in general, as well as specific ongoing IDA financed operations in relevant sectors such as education, health, roads, water and sanitation, put the Bank in a unique position to assist the Government in addressing cross-sectoral issues. Regarding donor coordination, the Government unequivocally has taken the lead but is hoping for Bank support to coordinate and leverage additional resources, if necessary. Finally, the proposed project is linked to ongoing fiscal and macro-economic measures as well as Local Government and civil service reforms, in which the Bank is a key stakeholder.

4. Description
The Government has requested, and received, a PPF advance to support the development of the project. Three main project components have been identified and developed by the Government in consultation with key stakeholders during project preparation and after undertaking the
following studies under the PPF facility: community needs assessment, environmental assessment, financial management systems, management information systems, core welfare indicators questionnaire (CWIQ), trust funds review and economic analysis. The project components under preparation are: (i) "Community-based Development Initiatives," that would aim to improve delivery of social and economic services and enhance capacity of communities and local development partners through financing small demand-based community initiatives in the social sectors. Further examination is necessary to see how this component could also finance activities to increase food security. (ii) "Public Works Program" that aims to help the unemployed through the financing of employment-creating public works in selected poor regions; and (iii) "Institutional Development" that will consist of four sub-components: (a) Support to the TASAF Management Unit, (b) Capacity building: Information, Education and Communication/Training; (c) Monitoring and Evaluation including Management Information Systems; and (d) National Welfare Monitoring and Analysis. While demand-based financing would guide TASAF activities, TASAF has also developed a clear set of criteria in the selection of projects, detailed in the Operational Manual, including guidelines on prioritization among competing interests within a community.

5. Financing

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<tr>
<td>COMMUNITIES 7.5</td>
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<td><strong>Total Project Cost</strong></td>
<td><strong>70.5</strong></td>
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6. Implementation

Since TASAF will finance community-initiated and implemented sub-projects, communities will constitute the basis for any institutional arrangement. Another key factor is the role that local government institutions will play in project design and implementation. In order to achieve maximum efficiency and impact on the ground, the Government has suggested the establishment of a semi-autonomous apex institution, the TASAF Management Unit (hereafter referred to as the TMU), that will take responsibility for the administration of TASAF. The proposed institution would be a lean unit with staff at central and lower levels. The district level will be the focal point for processing the sub-projects cycle. The Government’s team, with support from the PPF, is pre-testing some options in order to define the institutional arrangements better. An Operational Manual will simultaneously lay down the guidelines and procedures for the Fund’s operations; a draft version of the OM has already been provided to the Bank and will be revised and finalized prior to project effectiveness. A substantial number of government staff at various levels (NSC, District Committees, District Management Teams) will be involved in the design and implementation of sub-projects under TASAF. There is agreement on the following broad principles:

- A National Steering Committee (NSC) will be established comprising of Government representatives, civil society and the private sector, whose responsibility will be to: approve workplans and projects above the threshold, plan and manage financial transfers, monitor and evaluate overall projects implementation and impact, and articulate Fund policy;
- District Level Steering Committees would be set-up to process, recommend, or approve sub-projects within nationally defined
guidelines and funding ceilings to ensure conformity with regional and community development goals; It is likely that in view of local government regulations, the project activities will be coordinated at the district level; TASAF will explore the need for and the possibility of having TASAF Program Managers managing TASAF-related operations covering a number of districts; TASAF will focus on the poor and invest in basic social and economic infrastructure and carry out low-wage public works programs. Micro-credit is not part of TASAF. Funding would be directly available to various community groups but not to individuals.

7. Sustainability
Empirical evidence from similar operations in various regions points to a strong, positive correlation between community participation in identification and design, planning, implementation and management and sustainability of sub-projects. Other factors that ensure sustainability include: a) setting-up of a strong, autonomous implementing agency whose staff are recruited competitively, provided with adequate incentives and work to set performance targets, to execute the fund with a "sun-set clause", b) criteria for selection of sub-projects for funding that meet basic needs as articulated and managed by the communities, and to which the community contributes; and c) sub-projects activities which include capacity building and training of the communities and sub-projects management committees to ensure that the assets created are maintained. The transfer of skills to district staff, especially as part of the sub-projects cycle, during appraisal, implementation, supervision and monitoring of sub-projects will ensure that the TASAF processes are sustained and integrated into the ongoing Local Government Reform Program. These skills would include: use of harmonized participatory approaches to facilitate communities prioritize and plan to meet their own needs, needs based ranking of areas within the district in preparation for financing interventions irrespective of the source of the funds, and recognition that communities are both the objectives and vehicles of endogenous development. Community ownership and commitment to the activity are central to sustainability. The design of the project is expected to stimulate community participation in the identification, preparation, implementation, management and maintenance of the sub-projects. In many projects, the community's ability to manage funds has been seen as a key mechanism that enhances such features. Capacity building activities for communities will be financed to ensure that they have the capacity to sustain and manage activities effectively. The sustainability of the community participation approach, adopted under TASAF, will depend to a large extent on the government’s capacity to harmonize the multitude of ongoing participation efforts in the country. Through the TASAF preparation process, a workshop was organized to harmonize participatory approaches among the various stakeholders who are involved in TASAF design and implementation (local authorities, NGOs, donors, etc.). To ensure
sustainability of TASAF’s community participation beyond the duration of the project, it will be critical that (a) the Government identifies clearly which entity should take the lead to harmonize the various community participation efforts; (b) a practical and common understanding among practitioners is reached on a flexible and national approach to community participation; and (c) an action program is determined to enrich the ongoing community participation efforts in light of the harmonization.

8. Lessons learned from past operations in the country/sector
A recent review of sixteen social funds, a study on social funds and decentralization and nineteen works and employment operations as well as experiences from other ongoing and completed operations are being taken into account in designing the proposed project. Relevant lessons learned from successful operations, and reflected in the proposed project design, include the recommendation to: (i) start with a pilot phase to test and finalize operating procedures, and review / adjust operating procedures throughout implementation, if necessary; (ii) respond to demand and consult clients / stakeholders systematically, using local approaches and capacity in participatory assessments (PRA); (iii) mobilize local resources and ensure community contribution for sustainability, and continue to build local capacity to identify, prioritize, plan, implement, manage and self-evaluate sub-projects; (iv) coordinate across sectors utilizing decentralized local government structures where they are in place and operational; (v) keep short-term objectives distinct and develop a long-term perspective; and (vi) safeguard autonomy, transparency and accountability. (vii) simple, carefully-piloted and stringently-controlled poverty monitoring surveys have the greatest chance of sustainability and full ownership by national institutions. Lessons Learned from on-going Pilots: Local governments should sign a Memorandum of Understanding (MOU) with TASAF/MU agreeing to release TASAF district officers from other district duties so that they can work exclusively on TASAF activities. TASAF should provide adequate tools and equipment to the TASAF District Officers in support of day-to-day administrative functions. An overall lack of access to office automation tools and administrative support was found. TASAF should provide computer equipment, and adequate training to enable staff to perform their office functions effectively. Some members of the District Steering Committees were not fully cognizant of TASAF principles. This suggests the need for a more targeted awareness raising and sensitization workshops at the District level. Since TASAF District Officers have an inadequate grasp of financial management and fiscal obligations, capacity building and financial management training and related information technology familiarization courses should be offered to them early in the project cycle. PWP is relevant in that targeting the poorest areas and the most vulnerable within these areas is possible. The PWP handbook needs revising to bring out clearly the project cycle, geographical targeting criteria as well as the criteria for identifying the most vulnerable. The institutional set-up is generally sufficient for the purpose, though detailed roles of the District Council as implementers and TASAF as the funding agent need to be spelled out through a Memorandum of Understanding. Further training of District staff is needed on project identification that includes sufficient community awareness of the safety net criteria.

9. Program of Targeted Intervention (PTI)
10. Environment Aspects (including any public consultation)

Issues: Both the Government of Tanzania and the World Bank recognize that though the poor are critically dependent on regenerative natural resources, they are often not in a position to be environmentally "responsible" as their options to do so are constrained by conditions of extreme poverty and need. Consequently, the construction of infrastructure such as school buildings, health posts, boreholes, and other projects eligible under TASAF may assume more importance than the costs of environmental degradation. In this context, TASAF will be pro-active in educating and informing communities about the cost-benefit aspects of environmental conservation through its IEC campaigns. TASAF will play an active role in promoting and supporting subprojects aimed at improving the management of natural resources by poor communities. Other: Government regulations require that environmental assessments be conducted for each development project. Therefore, the Government’s preparatory team has agreed to develop specific guidelines for the appraisal of sub-projects prior to effectiveness. Such guidelines will analyze the impact of individual sub-projects, include procedures for documenting the analysis and list mitigating steps where there is an adverse impact. This is expected to meet Bank requirements as well.

11. Contact Point:

Team Leader
Norbert O. Mugwagwa
The World Bank
1818 H Street, NW
Washington D.C. 20433
Telephone: 593-227 (AFMUG)
Fax: 555-250

12. For information on other project related documents contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-5454
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

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