## BASIC INFORMATION

### A. Basic Project Data

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<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
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<td>Tanzania</td>
<td>P169165</td>
<td></td>
<td>Tanzania Productive Social Safety Net Project II (P169165)</td>
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<th>Practice Area (Lead)</th>
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<td>Jan 31, 2019</td>
<td>Social Protection &amp; Labor</td>
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<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
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<td>Investment Project Financing</td>
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<td>Tanzania Social Action Fund</td>
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### Proposed Development Objective(s)

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

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

<p>| | |</p>
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<td>Total Project Cost</td>
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<td>Total Financing</td>
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### DETAILS

#### World Bank Group Financing

- International Development Association (IDA) 300.00
- IDA Credit 300.00

#### Non-World Bank Group Financing

- Other Sources 73.64
- US: Agency for International Development (USAID) 3.40
B. Introduction and Context

Country Context

1. **Tanzania has seen strong economic growth in recent years.** Growth averaged 7 percent on the Mainland and 6.6 percent in Zanzibar during the implementation of their respective Five-Year Development Plans (FYDP 2011/12 – 2015/16 and MKUZA II 2010/11 – 2014/15), making the United Republic of Tanzania (URT) one of the stronger performers in Sub-Saharan Africa. GDP growth translated into substantial increases in average per capita income across the URT: from 510 USD in 2007, to 730 USD in 2011 and 878 USD in 2016\(^1\).

2. **Poor people have benefitted disproportionately from this growth.** Unlike during the period up to 2007, when growth benefitted mainly the country’s richer groups and poverty rates remained stagnant, growth between 2007 and 2011/12 was pro-poor in Tanzania (World Bank, 2015\(^2\)). As a result, the percentage of the population living in poverty (below the basic needs poverty line) on the Mainland reduced from over 34 percent in 2007 to 28 percent in 2011/12; and those living in extreme poverty (below the food poverty line) decreased from 12 percent to 10 percent in the same period (THBS 2011/12\(^3\)). Inequality, as measured by the Gini Coefficient also reduced from 39 to 36 during this period and is now relatively low in the Sub-Saharan Africa context (THBS 2011/12). In Zanzibar, the poverty rate fell from 35 percent in 2009/10 to 30 per cent in 2014/15; and the extreme poverty rate from 12 per cent to 11 per cent in the same period (ZHBS 2014/15\(^4\)).

3. **Despite these achievements, the numbers of people living in poverty and extreme poverty remain high. Approximately 4.3 million people continue to live in extreme poverty** across the United Republic of Tanzania (4.1 million on the Mainland and 0.2 million in Zanzibar). Despite the reduction in the extreme poverty rate, due to population growth the absolute number of people living in extreme poverty did not decline at all between 2007 and 2011/12. Key characteristics of poverty in Tanzania include the following: i) poverty is very much higher in rural than urban areas; ii) households engaged in non-agricultural business have been particularly successful at escaping poverty; iii) inter-generational transmission of poverty

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\(^1\) [https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=TZ](https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=TZ)


is a particular challenge; and iv) many non-poor households are clustered just above the poverty line, so are vulnerable to falling into poverty in the case of a shock.

4. **Poverty is very much higher in rural than urban areas.** Over 80 per cent of poor and extremely poor Tanzanians live in rural areas; and inequality between urban and rural areas increased between 2007 - 2011/12 (HBS 2011/12). Whilst poverty was already much lower in Dar es Salaam than elsewhere, it declined very much faster in the capital than other areas of the Mainland between 2007 and 2011/12; leading to a poverty rate of just 4 percent in Dar es Salaam, compared to 22 percent in other urban areas and 33 percent in rural areas.

5. **Households engaged in business activities have been more successful than others in escaping poverty.** Households relying on non-agricultural business as a main source of income appear to have experienced a remarkable decline in poverty, suggesting that the development of nonfarm employment can offer a pathway out of poverty. That said, agriculture continues to support the majority of Tanzanians, providing 67 percent of employment, yet is under-developed and subject to the whims of nature, so investment in agricultural livelihoods will remain important to poverty reduction (World Bank, 2015).

6. **Inter-generational poverty transmission is a particular concern in Tanzania.** Personal and household circumstances, including in particular the educational level of parents, explain inequality to a greater extent in Tanzania than in most Sub-Saharan Africa countries. There is very substantial intergenerational transmission of poverty: the children of parents without education are very much more likely than others to grow up poor. Therefore, promoting education of children in disadvantaged households, particularly secondary education, is one of the key measures to break the inter-generational transmission of poverty in Tanzania (World Bank, 2015).

7. **In Tanzania, many households are clustered just above the poverty line, so are economically vulnerable.** To illustrate this point, were the poverty line to be just 25 percent higher - a mere additional TZS 300 (approx. 13 US cents) per adult per day - the poverty headcount would increase by more than 50 percent (World Bank, 2015). In the event of a negative shock, such as an adverse climatic event, loss of employment or the death of a breadwinner in the household, such a non-poor household can easily fall into poverty.

8. **Key human development challenges in Tanzania include a high rate of chronic malnutrition and low rates of continuation into secondary school, especially amongst children from poor households.** According to the 2015/16 TDHS, 34 percent of children under 5 years old in Tanzania are stunted and the stunting rate is twice as high in the poorest quintile than in the richest (40 percent compared to 19 per cent). This is linked to inadequate diet: only 9 percent of Tanzanian children aged 6-23 months are fed in line with minimum acceptable standards regarding frequency and diversity (TDHS 2015/16). Poor hygiene and sanitation also contribute to malnutrition and, whilst there has also been progress in access to clean water, sanitation and hygiene, large disparities persist between urban and rural areas.

9. **Secondary school attendance is 6 percent for the poorest quintile compared to 41 percent for the richest (TDHS, 2015-16).** As children get older, the need to work, either on the family farm or in economic activities outside the home, becomes increasingly competitive with school for children living in poor households. Other contributory factors to school drop-out for girls are early marriage and pregnancy: the 2015/16 TDHS shows that 23 percent of girls aged 17 had already given birth or were pregnant.

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5 United Republic of Tanzania Demographic and Health and Malaria Indicator Survey 2015/16 (covering both Mainland and Zanzibar).
10. The Government of the United Republic of Tanzania (URT) has important policies in place to address poverty and vulnerability. FYDP II (2016/17-2020/21) aims at economic transformation to enable Tanzania to become a middle-income country by 2025 and provides an overarching framework for all poverty alleviation and growth-related strategies in Tanzania. Social Protection is part of FYDP II’s agenda, which includes: reducing poverty; addressing social and economic risks, deprivation and vulnerability; protecting human rights; and improving capabilities and labor market outcomes.

11. In both the Mainland and Zanzibar, work has been undertaken to develop social protection policies (social protection being a devolved matter). The Zanzibar Social Protection Policy (ZSSP) was published in 2015 and an Implementation Plan in 2016, and these include commitments to harmonize the systems of all social protection programs, including the Productive Social Safety Net (PSSN), and to link PSSN with large-scale nutrition programs. On the Mainland, a process is currently underway to transform the National Social Security Policy of 2003 into a comprehensive National Social Protection Policy (NSPP). The recent review of the implementation of the National Social Security Policy revealed several weaknesses including: i) its focus on contributory social protection, the coverage of which is limited to a small segment of the population; ii) fragmentation of programs and limited coverage; iii) weaknesses in institutional arrangements and coordination; and iv) a significant financing gap to implement the policy, especially in relation to programs such as the PSSN. The new NSPP is expected to be framed around four pillars that will henceforth underpin all social protection programs in Tanzania. These are: i) contributory social protection, including pensions; ii) non-contributory social protection, including safety nets and cash transfers; iii) demand side linkages with social services; and iv) productive inclusion and livelihoods interventions. The final NSPP is expected to be tabled for approval by the Cabinet in FY 2018/19.

12. The Tanzania Social Action Fund (TASAF) has evolved into a national Productive Social Safety Net system. The Government of the United Republic of Tanzania was implementing a traditional Social Action Fund from 2000, offering an approach to poverty alleviation that also supported the decentralization agenda by ensuring that citizens at the grassroots level had a voice in the planning and implementation of local development initiatives. During 2009 – 2012, under this Social Action Fund a conditional cash transfer (CCT) was piloted in three districts. A rigorous impact evaluation of the pilot showed significant impacts on health, education and household asset creation. On the basis of this, the traditional Social Action Fund interventions have evolved into a comprehensive and integrated social safety net system.

13. Since 2012, the Government has been implementing the first phase of the Productive Social Safety Net (PSSN I). The objective of PSSN I is to enable poor households to increase incomes and opportunities while improving consumption. It targets 15 percent of the total population of URT, including all households living under the food poverty line (approximately 650,000 households) plus those at-risk of falling under the food poverty line in case of a shock affecting their income (approximately 350,000 households).

14. The impressive speed of scale-up meant that the PSSN achieved its target of reaching and registering its intended beneficiary population of one million households by September 2015. Cash transfers (CTs) have been provided for the past two years to over one million households in 10,000 villages in all 161 Project Area Authorities (PAAs): these include i) a basic transfer for all targeted households, ii) an additional unconditional transfer for households with children, plus iii) CCTs with co-responsibilities related to the uptake of health services for the youngest children and to school attendance for school-age children. In addition, public works (PW) have reached nearly 300,000

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6 PAA is a generic term for LGAs/Zanzibar Administrative Authority or District, Town, Municipal and City Councils used by TASAF. During phase 1 of PSSN there were 161 PAAs. These have since been sub-divided, creating 187 PAAs.
households in 44 PAAs to date, completing over 3,500 subprojects. As for the livelihoods component, piloting has started in 8 PAAs. More than 5,000 savings groups with 74,000 savers have been formed; and initial training on group organization, preparation of constitutions, savings mobilization, loan management and record keeping has been carried out.

15. **There has also been progress in systems development and capacity building; many key elements of a social safety net system are now in place.** The program has established appropriate institutional structures for program management at national, PAA, ward and community levels; the computerized management information system (MIS) is functional; whilst beneficiaries still largely receive their transfers in cash, mechanisms for making electronic payments have been pilot tested; there is a grievance redress mechanism (GRM) in place; and the monitoring and evaluation (M&E) system has demonstrated its capacity to generate timely information on inputs, outputs and results.

16. **Key achievements of the PSSN I have included the consistent timely payment of CTs and strong targeting performance.** PSSN has transferred CTs on time for 26 consecutive bimonthly payment cycles. The PSSN has also been very successful at reaching the poorest of the poor in Tanzania: 61 percent of beneficiaries belong to the poorest consumption quintile and over 80 percent to the bottom two quintiles (see Figure 1). A review of program MIS data also demonstrates the structural vulnerability of beneficiary households in terms of their limited labor capacity and high dependency ratios. Most are either severely or moderately labor-constrained: 16 percent of beneficiary households include no-one able to work; and 32 percent include only one person able to work with an average of three dependents.

**Figure 1. Percentage of PSSN beneficiary households in each consumption decile and targeting performance**

![Figure 1. Percentage of PSSN beneficiary households in each consumption decile and targeting performance](image)

17. **Preliminary results of the midline impact evaluation of PSSN I show that it has had positive and statistically significant impacts on poverty reduction, household production, uptake of health insurance and school enrollment.** These results were driven by the CT component, as other components of PSSN I were, at the time of the survey, at too early a stage of roll-out to see many results.

**a) Poverty and Consumption**

- **Poverty:** The program decreased the incidence of basic poverty by 10 percent and of extreme poverty by 12 percent.
- **Consumption:** Thanks to the program, beneficiary households having a Poor Food Consumption Score decreased by 4 percentage points; and expenditure on clothing and household items increased by more than 50 percent.

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7 TASAF review of MIS data.
• **Temptation goods**: Importantly, there has been no increase in the consumption of 'temptation goods' (alcohol and tobacco) by beneficiary households.

**b) Production**

- **Assets and savings**: The program led to a 7 percent increase in the number of assets owned by beneficiary households; it increased the share of beneficiary households owning any livestock by 19 percentage points; and it increased the share of households with savings by 4 percentage points.

- **Resilience to shocks**: A strengthened asset base indicates strengthened resilience to shocks as a result of the program. This is evidenced by a 17 percent reduction in the use of negative coping strategies; and a 4-percentage point reduction in households losing assets or income as the result of a shock.

- **Patterns of employment**: PSSN-I has induced a significant shift away from casual labor towards self-employment. The program led to a 6-percentage point reduction in households engaged in (often precarious) casual employment and a 4-percentage point increase in (generally higher potential) self-employment.

- **Agriculture**: The program also increased the share of households cultivating any farm plot by 7 percentage points; and significantly increased the percentage of households using seeds, fertilizers and pesticides.

**c) Education and Health**

- **Health**: The program led to a threefold increase in the percentage of households registered in the Community Health Fund (a community health insurance scheme), from 11 percent to 33 percent.

- **School enrolment**: the program led to significantly increased enrolment in primary school (though not in secondary school).

18. **The vision of the Government is to consolidate the PSSN and build on its achievements, whilst further strengthening its productive impacts.** The Government has identified PSSN as the key instrument to deliver social protection. The current priority is to consolidate and strengthen its effectiveness as a safety net that builds human capital and helps extremely poor households move into sustainable livelihoods. During the previous phase, not all components were rolled out simultaneously. A phased approach was always envisaged, but PW and livelihoods support were rolled out more slowly than planned due to funding shortages and capacity challenges. The Government has expressed a strong interest in scaling up these two components more rapidly in the next phase of the program, offering households an integrated package of support that enables a substantial proportion of current beneficiaries to graduate from the safety net into sustainable livelihoods in the medium to long term, and providing a continuing safety net for those who need it.

19. **PSSN will require long term investments to ensure sustainable results.** Sustained reduction of extreme poverty and enhanced livelihoods of poor households involves processes that PSSN II will set in motion, but that will only come to full fruition over the medium-term, including: (i) enhanced capacity, skills and knowledge that improve the productivity of beneficiary households and enable them to shift towards more lucrative economic activities; (ii) support to children to complete full cycles of early childhood development and education that create human capital and reduce the inter-generational transfer of poverty; and (iii) asset accumulation and diversification by households to enable them to better manage future risks and shocks. For this reason and given that PSSN II will support many new households, it is anticipated that the program will need to continue at scale for at least an 8-10-year period and funding arrangements need to sustain financing beyond the end of the current phase. While it is expected that a significant number of supported households

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8 Full cycles refer to the following. In education, full key cycle consists of completion of primary, transition to secondary, completion of secondary. In health, full key cycle means complete growth and development monitoring of children from zero to 36 months to prevent stunting, full vaccination scheme, deworming, etc.
will improve their livelihoods and be able to graduate from the program over time, it is also recognized that some beneficiaries will need long term social assistance.

20. **The government has confirmed its commitment to continue investing in PSSN and the program is fiscally affordable.** While the program will continue to rely mainly on financing from Development Partners (DPs) in the short term, Government contributions are set to increase over time. The fiscal requirement of PSSN is low by international standards, especially given the importance of the program as the primary safety net in the country. If the PSSN CT component’s coverage remains constant, and if the PW component is rolled out universally, social assistance spending will increase to about 0.60 percent of GDP. Even with these increases, Tanzania’s social assistance spending as a percentage of GDP will be much lower than the average in Africa for social assistance spending.\(^9\) The Government of URT has committed to developing a medium-term expenditure framework (MTEF) for the program by Mid-Term Review, including proposals for Government to finance the program as part of the implementation of its forthcoming NSPP. In the short term, recognizing the substantial financing gap observed in this design, the government confirmed its plan to allocate some budget from its own domestic sources and also mobilize more resources from other Development Partners as well as additional financing from IDA at a later stage.

Relationship to CPF

21. **The proposed project will directly contribute to the World Bank’s twin goals** of ending extreme poverty and promoting shared prosperity by providing targeted safety net support and livelihood services to the most vulnerable.

22. **PSSN II is also aligned with the Country Partnership Framework (CPF) for the United Republic of Tanzania FY18 – FY22** (World Bank, 2018). The CPF has three strategic focus areas: 1. *Enhance productivity and accelerate equitable and sustainable growth*; 2. *Boost human capital and social inclusion*; and 3. *Modernize and improve the efficiency of public institutions*. The PSSN will contribute strongly to focus area 2: it is cited as the main instrument for realizing the social inclusion objective under this focus area; and will support other focus area 2 objectives, notably investment in the early years, and heightening job-relevant labor force skills. It will also contribute to one of the objectives of focus area 1 - *put credit within reach, improving access to credit particularly for micro, small and medium enterprises (MSMEs) and women*; and to focus area 3 through the development of core safety net systems and capacity building of institutions involved in program delivery at national and local levels.

C. Proposed Development Objective(s)

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

Key Results (From PCN)

- Direct project beneficiaries (number), of which female (percentage)
- Proportion of beneficiary households with an improved food consumption score\(^{10}\)
- Benefits reaching the poorest 20 percent of the population (percentage)
- Eligible beneficiary households with functional income generating investments one year after receipt of the full

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livelihood support package (percentage) of which female (percentage).

❖ Households in PSSN areas reporting they have directly benefited from community assets created through PW (percentage)
❖ Participating Local Government Authorities (LGAs) reporting improved capacity to deliver the PSSN as a result of program support (percentage).

D. Concept Description

24. Building on PSSN I, the PSSN II will achieve its objectives through the implementation of combined and integrated interventions. It is envisaged that the combination of the proposed livelihood activities and cash transfers will increase household income through building household level assets, enhancing risk management, and facilitating a shift to more productive types of employment. Public works will create productive assets at community level and provide temporary employment opportunities to beneficiary households, further contributing to household income to mitigate food shortage during lean season; and cash transfers will 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. This will also strengthen household level resilience and diminish their vulnerability to shocks over time. It is envisaged that providing households with an integrated support model as outlined in the Figure 2 below will enable a significant number of currently supported households to exit PSSN over time. It is recognized, however, that not all households will make progress in the same way and some may not succeed, but most households are expected to significantly improve their situation and move towards more sustainable livelihoods.
Activities under PSSN II will be structured into two components

- Component 1: Productive Household Support (Benefits and Services)
- Component 2: Institutional capacity and integrated delivery system

**Component 1: Productive Household Support (Benefits and Services)**

26. This component will provide beneficiary households with an integrated package of support, including a foundational package and livelihoods support.

27. The foundational package will provide transfers in the form of CTs and PWs. CTs will enable households to ensure a minimum level of consumption; invest in productive activities; build resilience against shocks; and invest in their children’s health and education to break the intergenerational transmission of poverty. Transfers will be largely conditional - on savings, education or health-related behaviors while labor constrained households including elderly, people with disability, child headed households will also receive direct support. In addition, PW will create productive assets at community level and provide temporary employment opportunities to beneficiary households, providing additional income to smooth consumption and mitigate shocks during the lean season. This package will form the foundation of the intended short and long term productive impacts of the program.

28. The impact of the foundational package will be enhanced through livelihoods support (productive inclusion). This will consist of basic livelihoods support – awareness-raising, savings promotion and linkages to ward-level extension services; and an enhanced livelihood support package for selected households – encompassing training, coaching and a livelihoods grant. This livelihoods support will further strengthen the existing tendency, evidenced in PSSN I, for beneficiaries to use some of their transfer for productive investment.

29. Under PSSN II, the component 1 will reach national coverage.

- CTs, already operational in all PAAs, are expected to scale up to villages not yet covered (equivalent to 30% of villages in these PAAs), reaching 1.4 million households at full scale.
- PW, currently operational in 44 PAAs, will scale up to all 187 PAAs and all villages; as will the new basic livelihoods sub-component.
- Enhanced livelihoods, currently operational in 8 PAAs covering 55,000 households, will scale-up to 200,000 new households in 44 PAAs.

30. It is expected that beneficiary household numbers will peak in year three of PSSN II and decline thereafter. Scale-up will be staggered, such that full-scale implementation is reached by 2020/21, the third year of the project. At the same time, some households will exit PSSN II through re-certification that finds them no longer eligible; and others will exit after receiving enhanced livelihoods support, since this completes the full PSSN cycle of support. CCT and PWs will be implemented throughout the life of the program while the basic livelihoods operate on time limited cycles (households are offered two years of basic and enhanced livelihoods support)

**Component 2 - Strengthening Institutional Capacity and Integrated Delivery Systems**

31. The effective delivery of the benefits and services detailed above will be underpinned by the institutional capacity and integrated delivery systems component.
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<td>Projects in Disputed Areas OP 7.60</td>
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Summary of Screening of Environmental Risks and Impacts

The PSSN II is classified as moderate risk, based on the type of project and nature of its activities which are primarily cash transfer and public works program for which potential environmental and social risks and impacts are moderate. The PW program activities include labor intensive public works such as soil and water conservation, feeder roads, multi-purpose tree nurseries, water supply projects, small-scale irrigation, environmental cleaning, gully control, agroforestry and fishponds. Most of these activities aim at conservation and will enhance environmental and social risks and impacts management as well as social protection since they offer opportunities for work and earnings at the same time. This project does not pose any indirect or long-term impacts.

**Note** To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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<table>
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<th>FOR MORE INFORMATION CONTACT</th>
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<tr>
<td>The World Bank</td>
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<tr>
<td>1818 H Street, NW</td>
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<tr>
<td>Telephone: (202) 473-1000</td>
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