

# Productive Social Safety Net (PSSN) phase two

Beredning av insats

Appraisal of Intervention

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# 1 INTRODUCTION

## 1.1 Brief introduction to the Appraisal Memo

The Productive Social Safety Network (PSSN II) is expected to contribute to Tanzania's efforts to eradicate extreme poverty and provide beneficiary households the opportunity to: (i) mitigate the impact of chronic poverty through increased household consumption; (ii) to create adequate incentives for the beneficiary to send children to schools (in particular to secondary schools) and to regularly visit health facilities; (iii) to support beneficiaries to enhance knowledge and understanding of savings and income generating activities; and (iv) receive timely and predictable cash benefits.

PSSN II will reach around 1.4 million households, when fully scaled-up, estimated to improve lives of approximately seven million people living in extreme poverty. Sida is appraising support of 550 MSEK to PSSN II during the years 2020-2024. Sida has supported phase one, PSSN I, with 750 MSEK 2016 - 2020.

Reporting, monitoring, evaluations and research of the first phase has shown very good results in all of the above areas. Income poverty has decreased with an additional 10% for PSSN household compared to the control group, and PSSN households have increased consumption on mainly food with 20% improving food security. PSSN households have also reduced negative coping strategies when experiencing shocks and showed increased resilience.

The contribution is aligned to priorities in the Strategy 2020-2024 which includes the result "*increased social protection for the most vulnerable groups*". The contribution supports the theory of change of this result: *Through the development of a more comprehensive and permanent structure and system for social protection, and support for continued cash transfers to people in extreme poverty, vulnerable groups will experience reduced deprivations in particular in the dimensions of resources and opportunities and choice through increased income, improved living standards, improved income earning opportunities, and through increased access to health care and education.*

The theory of change also concludes that cooperation with the government of Tanzania is necessary to support the development of a sustainable system for social protection with national coverage. Working through the government in this program implies that the Swedish support will reach approximately seven million individuals in extreme poverty, and strengthen their opportunities to break the cycle of intergenerational poverty, in a period when Tanzania is experiencing harshening economic conditions following the COVID-19 economic consequences.

The design of phase two of PSSN builds on the strong parts of phase one with cash transfers at the core, and develops further the public works component as well as the livelihood component. There is an enhanced focus on vulnerable groups, including children and people with disabilities and an enhanced focus on cross-cutting issues such as gender, environment, participation and accountability.

The project will expand from 70% of Tanzanian communities to cover extremely poor households in the whole country. The project consists of two components;

- 1) Productive Household Support (Benefits and Services)
- 2) Strengthening Institutional Capacity and Integrated Delivery Systems.

**Component 1** will provide beneficiary households with an integrated package of support, including a foundational package and livelihoods support. The foundational package includes basic cash transfers to ensure a minimum level of consumption. Beneficiary households will receive cash transfers bi-monthly of minimum 5.3 USD to maximum 24.1 USD per month per household depending on a combination of benefits. Cash Transfers consist of three types of benefits:

A Fixed Transfer to all PSSN households. Households with no labor capacity (the elderly, people with disability and child-headed households) will receive unconditional transfers, called *Direct Support*. For households with labour capacity the transfer will be temporary until they enroll in public works activities and receive a transfer for public works. A *Fixed Transfer for Vulnerable Groups* provided to all households that include a child aged 0-18 years old, *Child Grant* and to those that include a person with a disability, *Disability Grant*. A variable *Human Capital Transfer* to households subject to compliance with conditionalities for school attendance and health checks for young children. The transfer varies depending on the number of children and their age/educational stage.

Public Works participation will be for PSSN households with labor capacity, which will be able to work 60 days per year spread over a period of six months, during the agricultural lean season. The transfer amount (1.3 USD per day initially) will be adjusted according to the Consumer Price Index. The public works subprojects will be selected through a participatory community-based planning approach with the aim to support livelihood activities of the community and to adapt to and mitigate climate risks.

Livelihoods support will be introduced to households with labor capacity. A *Basic Livelihood Support* will promote self-employment and wage employment opportunities through participation in awareness-raising sessions and in savings groups and through linking households to existing services such as agricultural extension services that provide advice on farming and livestock breeding.

*Enhanced Livelihoods Support* will be introduced in 44 of the poorest Project Area Authorities. Activities will build on experience from so called graduation programmes. Participation in savings groups is combined with training on income generation. Households that have participated in training, have accumulated savings and developed a business plan may apply for a one-time *livelihood grant* to finance their household enterprise or invest in specialized skills training to access wage employment, this grant will vary up to a maximum of 225 USD.

**Component 2** is directed to strengthen institutional capacity through systematic capacity building, particularly at sub-national levels and consists of 29% of the budget. Training will be provided to community management committees, CMCs, and extension

staff in each Project Area Authority. Training is targeted to areas where weaknesses were identified in PSSN I including the understanding of the principles of safety nets and livelihoods services, promoting citizen engagement, financial management and procurement, behavioural change communication. Inter-sectoral coordination at the local level will also be supported as well as overall program management.

Integrated systems development will be supported through investments in strategies for targeting, re-certification and exit, development of the National Social Registry and Management Information System tools, citizen engagement, systems for payment, communication, monitoring and evaluation and gender integration.

## 2 AGREEMENT STRUCTURE

### 2.1 Agreement structure and financial flows

The government of Tanzania, the World Bank and development partners have agreed on a Memorandum of Understanding for the PSSN II. The World Bank provides the main financial contribution of 450 MUSD in IDA-loans, while bilaterals plan to contribute approximately 90 MUSD Sida (60), Norway (15), Switzerland (15) and Irish Aid (2). Additional funding is provided by Bill and Melinda Gates Foundation (1,4) and Financial Sector Deepening Trust (1,2) and the EU (12,67 M Euro). FCODO (Great Britain) is also appraising a possible contribution. The government of Tanzania has committed to contribute 14 MUSD. With all planned funds, the funding gap is estimated to 267 MUSD and the government of Tanzania is expected to add a gradually increasing amount.

A National Steering Committee (NSC) will continue to lead the overall direction of the project, setting the strategic framework, clearing annual work plans and budget as well as reviewing progress reports and monitoring outcomes.

The implementation of the PSSN II will continue to be managed by the TASAF Management Unit (TMU) headed by the Executive Director appointed by State House.

In Zanzibar, the PSSN II will be coordinated by the Second Vice President Office which appoints coordinators for Pemba and Unguja. At the regional level on mainland there will be a Regional Secretariat responsible for implementation in their region with an appointed TASAF focal person who coordinates PSSN implementation and follow up in cooperation with the Local Government Authorities, LGAs.

At Project Area Authority (PAA) level, PSSN II will be overseen by a Finance Committee while the day-to-day implementation will be managed by the LGA Director who coordinates the different sectors involved in implementation.

At the community level the Village Council (or similar) will continue to be the overall overseer of PSSN II. A Community Management Committee will be elected by

community members to support the direct implementation including targeting, payments, communication and grievance management.

The funding from Sida will be paid to a designated account at the Bank of Tanzania and forwarded to a project account at a commercial bank managed by the TMU. Funds for administration and cash transfers will be disbursed from the TMU through commercial banks to the PAA which will in turn ensure that funding is disbursed to CMCs for cash transfers to beneficiaries at the community level. The PSSN II is planning to scale up e-payments to beneficiaries that will be delivered through multiple Payment Service Providers such as commercial banks and mobile phone companies.

## 2.2 Reference documents: Draft agreement

- *Agreement Annex i - Joint MoU incl results framework.pdf*
- *Amendment MOU PSSN II signed March 2020.pdf*
- *01 Grant Agreement between Sweden and Tanzania PSSNII 1104.docx*

# 3 PERSPECTIVES AND DEVELOPMENT EFFECTIVENESS

## 3.1 Assessment of the intervention in relation to the perspectives

### Perspectives

#### Poverty

During a decade up to 2012 Tanzania showed the fastest income poverty reduction rate in Sub-Saharan Africa. Since 2012 the share of the population in income poverty has continued to decrease but with increasing total numbers of people in poverty due to population growth. In Tanzania 26% of the population are estimated to live in poverty (below the basic needs poverty line) while 8% are living in extreme poverty (below the food poverty line) according to the Tanzania Household Budget Survey 2017/18.

Women are disproportionately affected by poverty in Tanzania

Formal GDP growth figures have supported continued strong growth around 6-7 percent but International Financial Institutions have questioned the figures not least due to a challenging business environment. A recent IMF report also shows how the economic crisis following Covid-19 can hamper economic prospects. "The country is facing a drastic reduction in tourism, budget pressure and a projected deceleration of GDP growth from over 6 percent to 2,8 percent in the next budget year". In a similar vein the World Bank is estimating that an additional 500 000 people could fall below the poverty line due to the economic crisis.

Key characteristics of poverty in Tanzania have been: higher poverty in rural than urban areas, households engaging in business have been more successful in escaping poverty, and that many households cluster just above poverty line. In addition poverty in

Tanzania is inherited to a higher degree than in most other countries in Africa with the effect that children with parents who lack education run a significantly higher risk of growing up in poverty. Multidimensional poverty analysis shows that children living in poverty experience the most severe deprivation. Vulnerability where children's basic needs are not met is noted in particular for nutrition, health, sanitation, living conditions and protection.

Internationally there is strong evidence that social protection is effective for reducing poverty and increasing resilience to shocks. The midline evaluation report for PSSN (2019) provides clear evidence of program effects:

Decreased income poverty with an additional 10 percent compared to the control group; Increase in consumption with 20 percent, mainly used on food hence improving food security; Increased share of children enrolled in primary education (6 to 8 percent higher among PSSN beneficiaries than in control group); Increased use of health facilities and higher subscription to the Community Health Fund (CHF) with 30 percent of PSSN beneficiaries registered compared to about 10 percent in the control group. PSSN beneficiaries also increased savings and improved living standards (improved housing and increased use of improved water sources). Improved resilience to shocks was noted through reduced use of negative coping strategies by 17%. Intensified farm activities and increased investments in productive assets was noted, as well as shift from casual (very unstable) employment to self-employment.

Recent analysis by UNICEF shows similar evidence i.e. that interventions increasing the income for families living in extreme poverty have a strong effect for improving the life situation of the most vulnerable children and UNICEF recommends a combination of cash transfers with linkages to education, health and nutrition.

PSSN II is aiming to have 60 percent of benefits reaching the poorest 20 percent of the population and is expected to decrease poverty in several dimensions with a focus on opportunities and choice, with increased access to education, health and economic activities, as well as resources. In addition to cash transfers and public works, there will be an increased focus on livelihoods support which is expected to support people living in poverty to find pathways out of poverty and the programme is planned to be scaled up to national coverage.

Sida's assessment is that the perspectives of people living in poverty is well integrated through the focus on poverty reduction in the dimensions of resources and opportunities and choice but also power and voice. Strengthening of resilience of extreme poor households is at the core of the intervention. It is important for Sida to monitor the development of poverty in Tanzania closely as the economic crisis following Covid 19 can push new groups of the population below the poverty line.

## **Rights perspective**

PSSN II contributes to the realisation of the Human Rights Declaration Articles 22 and 25. Social protection is also highlighted in the 2030 Agenda for Sustainable Development, with three specific targets under SDG:s 1, 5 and 10 and while addressing multidimensional poverty it is envisaged that a large number of SDGs are indirectly supported through well designed and implemented social protection programs. Sida's analysis of the integration of the rights perspective has taken into account the principles: non-discrimination, participation, openness, transparency and accountability:

#### *Non-discrimination*

*Targeting.* Social protection systems can be targeted to certain groups of beneficiaries or non-targeted i.e. universal. With the expansion to the whole country, PSSN II will have an approach that aims to provide the same safety net packages to all citizens living in extreme poverty. Still, the process of selecting which households are poorest and most vulnerable is not an exact science. The PSSN targeting mechanism comprises three elements: geographical targeting, community targeting and a proxy means test to verify and minimise inclusion errors and the midline evaluation from 2019 shows that PSSN has fairly accurate targeting.

Sida's assessment is that the process for selecting beneficiaries in PSSN II is robust and to a high degree successful in targeting people living in extreme poverty. However, targeting and re-certification is not planned to be revised during the period 2021-2024. For people living in extreme poverty finding pathways out of poverty will be a process that takes several years, still there will be a risk of exclusion errors if people who fall into poverty during the implementation period are not included in the program. This risk should be followed up in the Swedish dialogue. The effects of Covid-19 also need to be monitored carefully and if needed included in the dialogue.

*Graduation* was a concept introduced in PSSN I and in PSSN II it is expected that a substantial number of households will exit the program. An exit strategy will be developed that clarifies how these processes will be operationalised. There is a risk that when beneficiaries are moved from the program they may fall back into the situation they were in prior to being enrolled in the program, a risk that is exacerbated by periodic livelihood shocks. It is Sida's assessment that the planned decline in the number of beneficiaries is not realistic and will need to be followed as a strategic policy dialogue with TASAF when the exit strategy is developed.

#### *Participation*

As part of the PSSN II design, the Government undertook several initiatives that promoted stakeholder participation including consultations with the central and regional government officials, PAAs and communities. An ambitious citizen engagement and communication strategy within the PSSN II is developed to create an environment that facilitates effective delivery of program benefits, through promotion of transparency and



accountability, behavior change communication and a comprehensive system for resolution of complaints and appeals.

### *Openness and Transparency*

The communication strategy will be updated and include the new aspects of PSSN II, such as the stronger focus on productive inclusion, the new recertification and exit strategies, and changes to the benefit structure and conditionalities. This should be followed closely by Sida as reviews during PSSN II preparation found that communication in the program had not been sufficiently comprehensive or systematic in reaching all program stakeholders. Effective communication with the target group is also complex since the program is a new feature in society.

### *Accountability*

*Social Accountability.* The programme will be monitored through the existing community management committees. In addition social accountability tools, like Citizens Report Cards or Community Score Card will be piloted in some PAAs. This aims to increase awareness among citizens about the program and their role.

*Grievance Redress Mechanism.* Management of appeals and complaints by program beneficiaries and non-beneficiaries is an important tool for improving effectiveness of targeting and accountability. The PSSN-I has put in place a basic GRM system, but an enhanced GRM has been developed for implementation under PSSN II. This includes Complaints and Appeals committees established at village, ward and PAAs to receive and manage grievances and to raise awareness.

Sida has identified some issues related to the rights perspective to be monitored closely: PSSN I did a rapid scale-up of the program and the focus was more on technical aspects of delivering cash transfers than on communication or strengthening of the GRM, also PSSN II is planning for a large scale up. Between January 2019 and July 2020 there has been an unintended gap between PSSN I and II due to lack of funding. UNICEF Innocenti has documented that beneficiaries are not using the GRM systems for example because of fear of losing past or future transfers.

To conclude, Sida assesses that the program has strengthened the integration of the rights perspective. While the potential benefits of the PSSN are strong, there are also a number of risks, most notably the risk of excluding people who fall into poverty after the re-certification process and the challenge of communicating a more complex program approach. Follow up and dialogue should therefore give attention to: coverage and errors in selection of beneficiaries, the efficiency of communication and the functionality and impartiality of the grievance processes.

## **Gender Equality**

Promoting gender equality through social protection is a key feature of the program. PSSN transfers are to households, not individuals, and made to adult female members of

the households. Transfers can be made to a man only in households where there is no adult woman. The Midline impact evaluation of the PSSN (2019) showed that the program has improved child literacy rates through entry into the schooling system. There has been an improved literacy rate for both gender groups and higher school enrolment rate helped improve girls self-reported literacy rates, although learning assessment levels remained unchanged. International evidence states that education has a strong empowering effect on girls. The rate of girls transiting from primary school level to secondary school level will be of particular relevance in the PSSN program.

The evidence for cash transfers leading to women's economic empowerment is mixed but there is evidence for the potential for women to increase their income, improve economic engagement, and achieve economic empowerment. PSSN impact evaluation reports that there has been an increased likelihood that women had a say on use of their own earnings and also increased the likelihood that they were the primary decision makers in areas related to children's health and education and major daily and household purchases. PSSN is designed to encourage women to participate in the livelihood component which will enhance the economic empowerment of women and youth. Women also participate in the planning and implementation of the targeted infrastructure development. The public works component is designed to facilitate women's participation, including through the provision of light duties for pregnant women and for those less able to participate in physical labour, and reduced working hours for women who are breastfeeding. The new transfer for households with PWD recognises additional costs of living with a person with disability. Women and girls with disabilities experience higher rates of GBV and sexual abuse. PSSN has recognised this gap and special consideration will be provided to families with a person with disability.

In PSSN II a gender integration plan has been developed and a new function is being recruited to guide gender integration which can be expected to improve overall gender integration in the program. There are gender related risks involved in providing cash transfers to only women, in particular when women receive transfers whilst it is a man in the household who participates in public works. This could risk increasing household tensions, with the potential for increasing levels of violence, and male members of the household refusing to take part in the public works. This could result in women taking on the task of public works with increased time burden that could bring negative effects in childcare, children's nutritional status and early childhood development. These risks will be mitigated through monitoring during the roll out of the public works component.

In conclusion, Sida assesses that the gender equality and women's empowerment are properly integrated and accounted for in the PSSN II. For risk reducing actions the following issues will thus be included in the monitoring and dialogue: girl's transition from primary to secondary education, gender-based violence, division of tasks and control of resources related to the public work. Sida will engage in dialogue with other development partners to ensure flexibility and discuss modification of the program implementation should issues arise.

### **Environment/climate perspective**

In Tanzania about 70 percent of recent natural disasters are associated with climate change which should be monitored closely in PSSN II as there is evidence that social protection is associated both with related opportunities and risks. Social protection interventions can help households adapt to climate change and it is recognised that that social protection interventions can have the capacity not simply to buffer the impacts of climate-related disasters, but to be a vehicle for transformative change by enhancing the adaptive capacity of households (Conway, T. & A. Sani, 2014 in DFID, 2015). At the same time there is a risk that the effects of climate change can reduce or even cancel the results of social protection interventions, for example change in the frequency of floods and drought could erode assets and put more people at risk of sliding into poverty.

At activity level CCT, public works and livelihoods components of PSSN provide a potential contribution to productivity and resilience building. The public work component in particular is aimed at supporting environmental rehabilitation and natural resource conservation such as reforestation, soil and water conservation. Still, the World Bank has classified the related environmental risks as substantial based on the nature of the very same activities. The public works program for example include soil and water conservation and the potential environmental risks that would need to be explored further include for example water and energy use efficiency, conservation, use of natural resources and agrochemicals. To mitigate the risks identified the PSSN II is prepared according to the World Bank's new Environment and Social Framework (ESF) and TASAF will receive technical assistance to build capacity to implement the new standards relevant for PSSN II delivered by the World Bank, WFP and ILO.

Several development partners are prioritising the monitoring of the environment aspects and Sida will follow up on the environmental risks in the regular follow up.

### **Conflict perspective**

The program does not explicitly target aspects of conflict or conflict prevention. The description of how the conflict perspective will influence the implementation is not present in the program document, but both WFP and UNICEF already work in the area and are well aware of the risks especially given the fact that some of the Project Area Authorities are in regions that have influxes of refugees from neighbouring countries. However, through targeting inequalities in society it is expected that it will indirectly have a positive effect on the levels of tensions and polarization in Tanzania.

The PSSN programme is built on the assumption that no major crisis will occur (such as new, massive influx of refugees, severe drought, or conflicts) that may affect the focus on the nexus between humanitarian support and development by binding the districts resources into an emergency response. However, due to the Covid-19 pandemic the analysis highlights the potential for tensions and violence linked to protests against poor

service delivery. In order to avoid potential tensions, it will also be important that the programme implementation, especially the cash transfer component, has clear and transparent procedures for targeting of beneficiaries that are perceived as justified and fair by the communities.

Sida assesses that the conflict perspective is not relevant to the programme however, in order to mitigate potential tension, Sida will engage in dialogue on response to Covid-19 with TASAF and other development partners.

### **Resilience**

Social protection is a tool to protect the most vulnerable groups that have low ability to adapt and to manage risks for example from political and socio-economic crises and environmental and climate change effects such as natural disasters and drought.

Vulnerable groups who receive a basic income through social protection systems, gain a safety net that increases their resilience. Social protection can increase the capacity to plan for and prevent risks and manage crises in a way that does not have long-term negative consequences, for example for education, child labour, income, protection. PSSN I has showed evidence for increased resilience of beneficiaries and it is expected that PSSN II will also support increased resilience among the target group, which is important also to meet negative economic effects of the pandemic Covid-19.

## **3.2 Assessment of whether the intervention has integrated the principles of development effectiveness**

The World Bank has been instrumental in the design of the program but the government has been actively involved and controls implementation which is undertaken through government structures. The program is managed by the agency TASAF, under the President's Office, and is implemented through the Local Government Authorities in Tanzania Mainland as well as Unguja and Pemba Islands. PSSN has main financing from the World Bank, but also soon five additional core bilateral donors and at least six UN agencies with technical assistance and earmarked support.

Development partners channel contributions through a government managed account earmarked for PSSN. All financial and narrative reporting as well as auditing is aligned and harmonised among core development partners. A number of additional development partners contribute smaller amounts as financial support and as technical assistance.

The chosen modality for the Swedish contribution is traditional program support with financing of activities based on an annual program budget and work-plan. The choice of modality is determined by the already existing program and support mechanism that Sweden joined in 2016. Funding is channelled through a special program account at the Bank of Tanzania.

Harmonisation and donor coordination is structured through several operational and technical mechanisms that bring TASAF and development partners together. The

Development Partners PSSN Group meets once a month to discuss progress and share information on respective bilateral support with TASAF in order to avoid duplication. Sweden is co-chairing the group together with the World Bank. The Development partners PSSN Group and TASAF Management have bimonthly dialogues to strategise and receive updates on program implementation. The meetings are co-chaired by TASAF and DPs. In addition, the PSSN Joint Review and Implementation Support Mission (JRIS) is conducted jointly by TASAF and development partners. During the start meeting of the JRIS, government representatives from various MDAs and CSOs are invited to participate and engage in strategic discussions. The most recent virtual JRIS took place from June 22 to July 1, 2020. The objective of the mission was to review the progress of the implementation of PSSN II and the progress towards its first payment to households.

The National Steering Committee of TASAF is Chaired by the State House Permanent Secretary and leads the overall direction of PSSN II. Development partners engage in consultations with the NSC regarding key aspects of PSSN, and during the Covid-19 pandemic, the NSC agreed that conditionalities linked to the payment of cash transfer components could be temporarily suspended, and that households will receive double the benefit amount as a one off measure during the first round of payments.

In conclusion, Sida assesses that the intervention adheres to the development effectiveness principles; the intervention is using the country's own systems in terms of planning, budgeting, finance management and monitoring and there are dialogue mechanisms that encourage joint annual reviews and technical discussions involving TASAF management, development partners and relevant stakeholders.

### 3.3 The following risks have been identified within the assessment area

**Risk of negative gender effects with possible tension and gender-based violence and/or increasing work burden for women beneficiaries**

**MEDIUM**

**Description of the risk based on the risk valuation made when the risk was added**

Since cash transfers are provided to women in the household there is a risk that household tensions could arise in certain areas of Tanzania, if too much burden falls on women participate in public works this could have negative effects for childcare, nutrition and early childhood development

**Accept and monitor the risk**

**Description of the reasons for accepting the risk:**

The analysis of outcomes for women will be monitored in the program implementation, possibly through a specific study. Sida shall follow monitoring of gender outcomes and engage in dialogue with other partners to discuss modification of the program if negative effects are realised.

**The Grievance Redress Mechanism may not be utilized to claim rights to cash transfers**

**MEDIUM**

**Description of the risk based on the risk valuation made when the risk was added**

The Grievance Redress Mechanism is important to ensure that benefits are transferred correctly and that beneficiaries have the ability to claim their rights to a social safety net. However, previous results shows that beneficiaries may be reluctant to report errors due to fear or misunderstanding.

**Accept and monitor the risk**
**Description of the reasons for accepting the risk:**

Since the GRM is key for protecting the rights of beneficiaries, Sida should follow up the functioning of the GRM and the communication activities in the programme in continued dialogue.

During the implementation the selection of beneficiaries risks becoming less accurate

LOW

**Description of the risk based on the risk valuation made when the risk was added**

Since the re-certification and validation process is only undertaken at the start of the implementation, there is a risk that people falling into extreme poverty during the implementation are not included.

**Accept and monitor the risk**
**Description of the reasons for accepting the risk:**

This will not risk achievement of the overall objectives, but would cause some extent of exclusion errors in the selection of beneficiaries making results somewhat less effective. This risk should be followed up in dialogue with government representatives, the World Bank and other development partners to see if a system for continuous inclusion can be developed.

## 4 OBJECTIVES AND THEORY OF CHANGE

### 4.1 Objective of the intervention

The objective of the project is 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.

The expected outcomes of the project is to; improve consumption for over 1.4 million households; engage households in improved income-generating activities; increase school-enrollment and health seeking behaviour for children; improve access to community assets and services.

The project will reach the objective through timely and predictable delivery of transfers to beneficiaries, combined with skills training, grants and promotion of savings. Households will also receive additional benefit as an incentive to send their children to school/regularly attend health check-up and a number of sub-projects will be constructed through the public works component that will improve community assets.

#### 4.2 Assessment of the intervention's objectives and theory of change, including ownership and sustainability

A results framework details indicators to follow up outputs and outcomes. The results matrix includes a plan for when, how and by whom follow-up will be undertaken.

It is Sidas assessment that the proposed objectives and theory of change is clear and realistic. Internationally, social protection programs with cash transfers have been extensively studied through impact evaluations with randomized control trials. The evidence is clear that cash transfers have strong effects for decreasing income poverty and improving productive activity. (Hagen-Zanker, Bastagli, Barca, Harman, Sturge, Schmidt, ODI, 2016) An impact evaluation has followed PSSN I and provides evidence of outcomes and impact (see section 3.1).

##### **Ownership and sustainability**

The Government's Five Year Development Plan II (2016/17-2020/21) provides an overarching framework for poverty alleviation and sustainable economic growth. The FYDP II includes social protection with a focus on addressing social and economic risks, deprivation and vulnerability, protecting human rights and improving capabilities and labor market outcomes. Zanzibar adopted a Social Protection Policy in 2015 and in Mainland a process is ongoing to transform the Social Security Policy of 2003 to a comprehensive National Social Protection Policy (NSPP).

Government ownership and commitment to PSSN I was questioned following criticism from the President to the idea of cash transfers. PSSN II was however launched by the President Magafuli in a big formal and public event and in the presence of all the former Presidents, stating a strong political commitment to the program. The President supports in particular the public works approach which has also been strengthened as a component in phase two.

The implementing government agency Tanzania Social Action Fund, TASAF, has developed from a program implementation institution to take leadership for developing a national productive social safety net system. The World Bank together with bilateral development partners have been active in the dialogue with TASAF on monitoring of PSSN I as well as design of PSSN II. TASAF management together with government representatives have, however, been instrumental in the design of PSSN II.

It is Sidas assessment that there is also strong ownership at local level authorities and village level community management committees. Experiences from field visits and from evaluations show strong commitment for reducing poverty and vulnerability for community members living in extreme poverty.

The political commitment to reduce poverty and vulnerability, has not been expressed in budget allocations where the government contribution to the implementation of the PSSN remains low. The government integrated regular staff and logistics costs for PSSN implementation, but it did not honor commitments to the budget.

The Tanzanian government emphasizes that the IDA-financing is in the form of loans, which is proof of its commitment. However, when the World Bank decision on continued IDA-lending was delayed 2019, the PSSN almost stalled cash transfers, executing only two of six planned transfers in 2019 with negative effects for 1.2 million households living in extreme poverty. Sweden and DFID front-loaded disbursements to ensure two cash transfers could be undertaken. The government was not ready to allocate funds, showing the weak financial sustainability of the program.

For PSSN II the government has made a commitment of in total 14 million USD 2019-2022 towards a budget of in total 883 MUSD. In addition there is currently a 267 MUSD gap in the financing of PSSN II.

Analysis has showed that there should be fiscal space for social protection in Tanzania. The state budget has lower expenditure for social assistance (0.45% of GDP in 2016) than comparable countries in Sub-Saharan Africa (mean 1.55% of GDP). If the PSSN is implemented at full scale it will cost about 0.4% of GDP and 2.4% of the state budget. As a comparison, total energy subsidies (electricity, petroleum, natural gas) amount to over 4% of GDP and largely benefits people who are not living in poverty.

In Sub-Saharan Africa, World Bank IDA-loans and development partner grants have been instrumental in starting an expansion of social protection systems. Evidence of the impact for poverty reduction and of the multi-plyer effects on local economies has led governments (Ethiopia, Kenya, Zambia) to increase investments in social protection.

For the long-term sustainability of social protection in Tanzania it is important to see increasing government financing. PSSN II builds on a plan where the government contribution gradually grows and replaces development partner support. A Medium Term Expenditure Framework, MTEF, is expected to be developed for the program.

The funding gap for PSSN II and the lack of an existing plan for increased government financing is one of the major risks to the long-term objectives. Dialogue and follow-up of the MTEF will therefore be important to ensure increased government financing.

It is assessed that the direct results for poverty reduction will still be strong. Unlike many other types of development interventions, some of the PSSN impacts are realised almost immediately. When a poor household receives a cash transfer it is immediately less poor and if it can rely on transfers to continue to be made over some time, it will also be less vulnerable. The effects will be long-term even if a household will only be enrolled in a cash transfer program for a limited time, say two years. During that period it is likely that the household's food security will improve and that the children will have attended school and that the household can increase their investments in productive assets which will improve their ability to decrease their poverty and vulnerability.

#### **4.3 The following risks have been identified within the assessment area**



**Risk of weak commitment from the Government of Tanzania to increase domestic financing of social protection**

**HIGH**

**Description of the risk based on the risk valuation made when the risk was added**

There is a high risk that the government will not increase financing for social protection substantially since this has not been prioritized in PSSN I.

**Mitigate the risk**

**Mitigation measure**

Specific dialogue

**Description of the mitigation measure**

Follow-up and dialogue about the planned MTEF will be important to mitigate this risk, since the MTEF will provide a basis for increased government funding to social protection.

## 5 BUDGET

### 5.1 Assessment of whether the budget is reasonable in relation to the objectives

The budget projection for PSSN II is on a general but sufficiently detailed level. The budget is elaborated for 2019/2020 to 2022/2023, while PSSN II implementation is delayed and in practice starts in budget year 2020/2021. The budget will be updated to reflect the delayed start of PSSN II. It is possible to identify administrative costs as well as budget shares of the different components. The yearly budgets are presented on an even more detailed output based level. Sida is following up with TASAF to obtain further breakdown of the annual budget for the administrative costs such as per diems and Daily Subsistence Allowances (DSA).

The budget is based on an elaborate project costing model. Hence the cost of cash transfers, public works and livelihood activities per household is assessed to be adequate. However the budget foresees a sharp increase in the public works and livelihood components and a decrease in the budget for the cash transfer component, based on the assumption of a fast expansion and roll out of public works and livelihood activities as well as a reduction in number of households needing cash transfers following graduation. Sida assesses both these assumptions to be unrealistic, and hence foresees the need for adjustments of the budget shares between the components with increased shares to the cash transfer and decreased shares for public works and livelihood.

The overall program budget indicates 13% in administrative costs including 4% staff emoluments, which is assessed to be reasonable. The salary scales have been reviewed and given no objection by the World Bank.

It is Sidas assessment that the overall budget is reasonable with a plausible relationship between the output and the resources injected to produce that output.

The funding of the budget is not presented with sufficient detail. The total program budget amounts to 883 MUS\$D. The program document includes assumed contributions from different development partners but mixes committed and un-committed funds. The currently committed and agreed core funding includes 450 MUS\$D from the World Bank, 150 MNOK from Norway and committed support of 12,7 M Euro from the EU. The Government of Tanzania has committed 14 MUS\$D in direct contribution, which only amounts to about 2% of the total budget. However there is also a substantial indirect contribution by the Government of 110 MUS\$D during the program period through salaries and staff emoluments at regional and PAA levels. The requested Swedish contribution of 60 MUS\$D amounts to about 7% of the total budget. Including also un-committed funds the budget gap is estimated at 267 MUS\$D which poses a large risk to the program financial sustainability.

The large dependence on development partner funding as well as the funding gap constitute key critical issues to the program sustainability and will feature as main dialogue questions. It can be assumed that the final budget gap will be less than projected due to slower implementation and reduced absorption capacity.

In the follow up of PSSN I it has been a challenging task to align the financial reporting to the approved budget at budget line levels. Overall, the spending has been within the approved budget but linking to the details has been difficult. The financial reporting structure does not align with the budget structures which makes comparison difficult. The reporting should improve with the new accounting system of TASAF, but there is still a risk that the financial reporting will not be structured and detailed sufficiently to show budget implementation and utilisation of bilateral funds. This has been a major dialogue issue for Sida in phase one and will continue in phase two. Specific rolling audits have been contracted by Sida to follow the implementation of PSSN I which has provided more in-depth analysis of budget implementation and supported dialogue.

In almost all reporting, the development partners have been concerned with the process of reallocating money across components. While TASAF has provided explanation of the process in which internal budget reallocation across components is undertaken, the development partners have requested that TASAF in the continued implementation informs of any significant reallocation within components relative to the approved budget before the reallocation occurs.

## 5.2 The following risks have been identified within the assessment area

Risk of inadequately detailed budget for funding

MEDIUM

**Description of the risk based on the risk valuation made when the risk was added**

Continued close follow up of budget process and presentation.

**Mitigate the risk**
**Mitigation measure**

Specific dialogue

**Description of the mitigation measure**

Engagement of financial experts will be undertaken to support technical assistance and constructive dialogue with TASAF.

Financial reports may not be sufficiently detailed or aligned to budget plans making it difficult to see utilization of bilateral funds

MEDIUM

**Description of the risk based on the risk valuation made when the risk was added**

The risk will be closely monitored and raised in dialogue with TASAF combined with procurement of financial experts who will undertake rolling audits and provide advice to TASAF.

**Mitigate the risk**
**Mitigation measure**

Specific dialogue

**Description of the mitigation measure**

Engagement of financial experts will be undertaken to provide technical assistance and constructive dialogue with TASAF.

## 6 PARTNER CAPACITY

### 6.1 Assessment of whether the cooperation partner has adequate capacity to achieve the objectives, monitor, evaluate and learn

#### Introduction

#### Management and organisational capacity

At the central level there is strong capacity and systems but the management and internal controls at the PAAs are still weak. Capacity is variable and even though improvements have been made as capacities were strengthened in PSSN I there are weaknesses especially in relation to the new geographical areas covered and newly expanding components of the program such as public works and livelihoods enhancement.

Mitigation measures included in phase one, were to provide capacity strengthening and a technical assistant to each project area authority to support financial management and review of management, organizational capacity and financial management during bi-

annual joint missions, in which Sida participated. It is Sida's assessment that the capacity strengthening efforts undertaken in the preparations of PSSN II are appropriate.

To enhance the management capacity further Sida has invited Tanzanian representatives to participate in an International Training Program on social protection together with representatives from four other African countries, implemented by the and the Swedish Public Employment Service in cooperation with the Economic Policy and Research Institute EPRI which provides opportunities for reflection and exchange of different solutions for expansion and implementation of social protection systems.

### **Resources and competences to achieve the objectives**

The previous program phase has showed sufficient capacity to achieve objectives, however the new phase adds a substantially expanded geographical area and also places new emphasis on the components of public works and livelihoods enhancement, while also raising ambitions for cross-cutting issues. These raised ambitions will be a challenge for the implementation, and TASAF has developed a clear plan for raising capacity, which is supported by the World Bank and other development partners.

The main challenge to achieve the objectives is the funding gap as described in previous section of the appraisal where over one third of program funds are still missing. If additional funding is not secured, this funding gap will negatively affect activities and impact. It is Sida's assessment that there are sufficient resources and competences in the structure for program implementation to achieve the objectives.

### **Monitoring method and planned evaluations**

PSSN has a robust monitoring system that will be enhanced further in PSSN II. Regular monitoring will collect data at community level which is entered into the Management Information System (MIS) which is the primary source of information for the monitoring and evaluation system. There will be an increased focus on encouraging teams at local levels to make direct use of this information to improve program delivery.

It is expected that the system in place will be improved in the PSSN II. A National Social Register is under development and when finalised it will be used by the Unified Register of Beneficiaries to track who is enrolled. A link with the database of the National Identification Authority will allow identity authentication and improve monitoring. It is expected that new ICT tools will support the monitoring even further. The result of all these improvements will enable the establishment of a solid monitoring and evaluation strategy and plan. The MIS-based monitoring will be complemented by regular standardised spot checks and technical reviews of the main project processes (targeting, payments, co-responsibilities, delivery of public works and livelihood enhancement services etc).

TASAF will prepare annual and quarterly reports for submission to Government and development partners and a mid term review will be conducted. Sida will take an active part in the joint development partner and government missions which will be carried out twice a year. These will include in-depth meetings with TASAF on roll out,

implementation and monitoring, meetings with ministries and field visits to monitor program performance.

A series of rigorous impact evaluations are being managed under the current program: a baseline survey in 2015, a midline survey finalized in July 2019, and an end line survey is expected in 2020. A new impact evaluation will be designed for PSSN II with special attention to the innovations introduced. Upcoming evaluations are expected to be carried out through a contract with a reputable international consultancy firm or research institution in partnership with local research institutions. The contracted institution will coordinate with the National Statistics Offices in the Mainland and Zanzibar (NBS and OCGS) who will continue to be responsible for data collection. To measure long term impacts of the program for beneficiaries that continue in the PSSN II and for beneficiaries that have exited a subsample of PSSN I households will be maintained in the PSSN II evaluation.

Finally Sida is supporting UNICEF/Innocenti to implement “The Transfer Project” to generate evidence-based knowledge about the effect of cash transfers. The Transfer project conducts longitudinal research that is expected to support TASAF in their strategic development of the program. It is envisaged that the cooperation with Transfer project will continue during PSSN II. Areas for upcoming studies could be for example education, gender, the rights perspective or conditionalities. Education could be of particular interest to Sida as evidence from research could enforce the synergies between social protection and education in the implementation of the Swedish strategy.

### **Competence, resources structures and incentives for learning and adaptation**

The scale-up to national coverage and the intensified focus on public works and livelihoods components, re-certification and the consolidation and modification of the CCTs will all challenge existing TASAF capacities. Thus systematic capacity building, particularly at sub-national levels, will be critical to program success and is integrated in the support from the World Bank and other development partners.

Carefully sequenced training, will be provided to CMCs and extension staff in advance of the start-up of new PSSN II components in each PAA in cooperation with the World Bank and development partners. Across all PAAs, systematic training will be provided to address challenges related to high staff turnover, with a particular focus on those areas where weaknesses were identified in PSSN I, including: understanding of the principles of safety nets and livelihoods services; promoting citizen engagement; and various operational issues, including financial management and procurement processes, managing updates to the Unified Registry of Beneficiaries (URB), implementation of safeguards, behaviour change communication, and use of documented lessons learned to improve implementation.

The technical assistance as explained above will include program management support which is intended to ensure ongoing effective program implementation and will cover staffing, logistics, regular monitoring and evaluation, supervision and implementation

support, financial management, procurement and safeguard compliance monitoring, project coordination meetings, and other program management and regular coordination activities.

A challenge in relation to the management and organisation capacity is the complexity and scope of the program, where it will be important that the different processes in the program are integrated and reinforce one another. Sida will follow this in dialogue with other development partners and TASAF

It is Sida's assessment that there is sufficient capacity at TASAF to achieve objectives, monitor, evaluate and learn in the implementation of PSSN II which builds on the experience from PSSN I implementation.

Sida's assessment is that with the planned capacity building initiatives integrated in the program there is sufficient organisational capacity within TASAF to achieve objectives, monitor, evaluate and learn in the implementation of PSSN II, Sida's assessment builds on the experience from the PSSN I implementation. Where there are risks identified mitigation measures are suggested.

## **6.2 Assessment of whether the cooperation partner has adequate capacity for internal control**

### **Financial Management**

Implementation of the PSSN has over the years shown satisfactory fiduciary performance and the financial management and procurement systems that are in place provide reasonable assurance that funding is used for the intended purposes.

Accountability mechanisms are in place with regular financial and results reporting, and annual audits performed by Tanzania National Audit Office of Tanzania (NAOT).

An Audit Framework firm (PWC) was contracted by Sida during PSSN I to conduct rolling audits with emphasis on financial management including capacity building and substantial improvement has been noted at TASAF. Sida plans to procure continued fiduciary support to follow PSSN II and provide further capacity building to TASAF and the PAAs on fiduciary matters. Sida is also actively engaged in the financial management sub-group among development partners to TASAF.

However, given the nature of the program in terms of decentralized delivery through LGAs and associated capacity gaps, there are still substantial fiduciary risks. The proposed mitigation measure will be to continue building fiduciary capacity at all levels and strengthen regular monitoring and supervision. In addition, the plan to fully roll-out e-payments will increase accountability and minimize the risk related to fraud.

### **Budget process**

The National Steering Committee (NSC) will continue to be responsible to set strategic framework and clear Annual Work Plans and Budgets (AWPB), review progress reports and monitor outcomes that have been prepared by TASAF.

TASAF normally shares the draft AWPB to development partners before the start of the financial year. However, during the year 2019/2020 this process was overlooked and the budget was received by DPs for review after being approved by the NSC. During PSSN II, Sida will follow up with TASAF that the process of sharing drafts is followed.

Budget procedures and timelines will be documented in detail in the Financial Management Manual that is not yet finalised, Sida has provided input to this through the financial expert from PWC. Budget performance will be monitored against actual costs and reported on a quarterly basis.

Some persistent weaknesses were noted during PSSN I. The agreed budget process has not always been respected with late or no submission of draft yearly budget to development partners. The budget has been presented in three different structures (department, output and component) which makes it difficult to get an overview of priorities and administrative costs have been difficult to trace. In addition the World Bank agreed structure for financial reporting does not support easy tracing from the budget to execution.

It is Sida's assessment that the management of the budget process in PSSN II should improve further.

### **Accounting system**

It is Sidas assessment that the partner is maintaining adequate financial records in accordance to accepted International Accounting Standards, as such the TMU uses International Public-Sector Accounting Standards (IPSAS)- Cash Basis Accounting issued by IPSAS Board.

The Accounting system in use is EPICOR v 9.05 that is an integrated financial management system, which has limitations since it requires some manual interaction in budget management and reporting. The chart of accounting requires updating, which is now in process. Completion is expected during 2021.

Records for payments made to beneficiaries are maintained in a web-based management system interfaced with EPICOR, as such payments to beneficiaries are automated. PAAs have access to a management information system, MIS, that records the payments to beneficiaries. These measures are important for the transparency and accountability of cash transfers.

### **Personnel**

The TMU has a fiduciary team with an accounts department with twelve staff that includes Director of Finance and two managers. At PAAs, Treasurers are overall in charge of funds to communities. The financial management supervision mission indicated that qualified accountants are appointed to manage financial operations, but it was noted that capacity building is required to financial management staff. Training is planned to be conducted to all financial management staff early 2021. During most of

the PSSN I period the Finance Director position has been in acting position which has negatively affected the development of financial management.

### **Internal controls**

The TMU has adequate internal financial accounting policies and procedures that are documented in the Financial Management Manual. However, the Financial Management Manual requires revision/updating to address key financial management processes including payment systems, social accountability mechanisms, complaints handling, corruption reporting, and community participation in activities of the program.

### **Internal Audit**

The TMU has an adequate Internal Audit Function managed by the Director of Internal Audit. It also has an internal audit strategy based on risk assessment and issues reports on quarterly basis and monitors the execution of audit recommendations. The information systems of PSSN have posed a challenge and there is a need for TMU to hire internal auditors with IT expertise.

At the PAAs, the Internal Auditors are managed by the Internal Auditor General (IAG) of the government and strengthening of Internal Audit functions is in progress that includes capacity building in modern audit techniques and development of audit tools. The internal audit reports from PAAs are subjected to quality assurance by IAG on quarterly basis.

### **Payments**

Under PSSN II there will be a gradual shift from the current system of cash payments to electronic payments. The roll out will take account of system requirements, lessons learned in the pilots for e-payments and the varying capacities in different PAAs.

The current electronic payments approach is based on a strategy paper that has recommended moving from community-based payments to digital payments in three stages – (a) technical foundation stage; (b) learning by doing pilots; and (c) scaling up electronic payments. The first two stages are already underway.

The gradual shift to electronic payments will mainly utilize a mobile money solution. The usual rationale behind a shift from analogue to digital is that digitalisation reduces overhead costs, reduces security risk dealing with cash, improves service delivery, and increases efficiency, accuracy, and transparency of the payments. It also enables data collection – data that could be used for monitoring and fine tuning the program.

PSSN II is a potential entry point for financial inclusion as the digital platform also gives access to a range of financial services including payments, credit, savings, remittances and insurance. The digital platform may also be used for sharing information, to communicate easier and it may also be linked to identity and biometric identification.



Digitalisation of PSSN is more than shifting the mode of payment. It's a chance to rethink how connectivity, big data, and digital technologies can create new drivers of economic growth and opportunities for all. However, there are also several risks and challenges that will need to be addressed to avoid failure. These issues include uneven access and use of mobile phones (especially from a gender perspective), security and privacy concerns, and insufficient digital skills and financial education (that may lead to fraud or theft). It will therefore be important that the process is user centric. Sida will follow the shift to e-payments and raise the importance of adhering to digital principles, should the need arise.

### **Financial Reporting**

TASAF has been preparing unaudited IFRs, Interim Financial Reports, at the end of each quarter. The format of the IFRs were agreed upon with the World Bank, however, it is a challenge that reports are partly prepared manually in excel sheets increasing risks for errors. The development partners' financial management sub-group is engaged in dialogue with TASAF on the accuracy of the IFRs. The introduction of a budget module in the EPICOR system is expected to facilitate monitoring and reporting of budget performance, Sida will follow up this planned change.

It is a challenge for Sida that the financial reporting does not follow the planned budget and that utilization of bilateral funds is not clearly specified. This risk will be followed up in continuous dialogue and through contracting financial experts to follow the program, conduct rolling audits and provide expert advice.

### **National Audit of Tanzania (NAOT) Audits - External**

The program will be audited by the Controller and Auditor General. The external audit terms of reference are agreed upon during the start of the program. The engagement letter is submitted annually and reviewed by the development partners.

For the past two years CAG audit reports gave "Unqualified" opinion to PSSN I audited financial statements however the management letters had audit recommendations with high risks on procurement – lack of competitive bidding, lack of proper technical specifications and uninspected goods; lack of Electronic Fiscal Device receipts; weaknesses in vehicles' management. The Audit Action Plan is prepared by TASAF but is not submitted to DPs until the NAOT team verifies the responses physically in the field. The NAOT takes some months before verification is finalized. For example, the audit report of 2018/2019 was submitted nine months after the year end, but the Audit Action Plan has still not been submitted to DPs and will require follow up. The PWC financial expert is also working closely with TASAF to resolve audit issues.

### **Procurement**

Procurement will be carried out in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 2016 and revised in November 2017 and August 2018 under the "New Procurement Framework (NPF)", and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects

Financed by IBRD Loans and IDA Credits and Grants”, dated July 1, 2016, and the provisions stipulated in the Financing Agreement.

A procurement capacity assessment of TMU and selected PAAs was conducted in May 2018 and October 2018 respectively by the World Bank. The assessment reviewed the organizational structure, functions, staff capacity and adequacy for implementing PSSN II. The assessment revealed that the TMU, PAAs and RASs have established all the necessary arrangements for managing procurement activities in accordance with regulations. For the last three years procurement performance of the TMU has been satisfactory. The assessment further revealed that TMU’s Procurement Specialists have adequate experience of managing procurements in accordance with World Bank procurement guidelines.

However, a capacity gap was noted at regional and local levels (PAAs and RAS). The procurement risk is assessed as substantial. Capacities are planned to be strengthened through training and technical support for effective implementation of procurement activities.

### 6.3 Private sector collaboration

The programme is envisaged for TASAF to implement procurement according to the programme procurement plan.

Sida will also procure rolling audits from the private sector.

### 6.4 Reference documents for Capacity Assessment

- *KPMG - TASAF Draft report (24-11-15) 6.30pm.pdf*
- *Appraisal 2017.pdf*
- *Statement on audit 2019 (51170070).pdf*
- *Fourth Quarterly Progress Report April-June 2020.docx*
- *Final Aide Memoire - PSSN2 JIRIS Mission - June 22 July 1 2020.pdf*
- *TZ PSSN2 Supervision Mission - Management Letter - Final - June 22 July 1 2020 V2.pdf*
- *TASAF III PSSN Audit v.pdf*

### 6.5 The following risks have been identified within the assessment area

Insufficient funding may impede effective achievement of objectives

MEDIUM

#### Description of the risk based on the risk valuation made when the risk was added

The implementation of the PSSN II has a funding gap of around one third of the planned necessary budget. If this funding gap is not closed, there is a risk that implementation can not be undertaken as planned and objectives thus not fully achieved.

### Accept and monitor the risk

#### Description of the reasons for accepting the risk:

Sida will follow up in close dialogue with all stakeholders. In particular Sida will follow up that a Medium Term Expenditure Framework is undertaken to analyse possibilities for increased government funding to implement the program.

### Risk of corruption

HIGH

#### Description of the risk based on the risk valuation made when the risk was added

The PSSN II is a country-wide program involving a large number of people in implementation. There will most likely be cases of corruption in LGAs and in villages. If and when this occurs the impact can be severe on individual households and on communities. However, it is not likely that it will have an overall effect for PSSN.

It is also possible that corruption can occur at a higher level in the implementation, which could risk the donor funding as well as the parliament's willingness to allocate budget resources.

#### Mitigate the risk

##### Mitigation measure

Specific dialogue

##### Description of the mitigation measure

Sida will jointly with other DPs engage in a dialogue on how to reduce the risk of corruption with support from procured financial experts that perform rolling audits. A financial management review will be undertaken jointly with other development partners in the Joint Review Missions. Special reviews and audits will be commissioned if and when needed.

### Risk of inadequate internal control: management and organisational capacity

MEDIUM

#### Description of the risk based on the risk valuation made when the risk was added

The management systems and internal controls at the LGAs are being continuously strengthened but still the system has weaknesses. TASAF has safeguards in place to reduce the risk. However, with implementation in all LGAs it is likely that there will be cases where the internal control proves to be insufficient to avoid incorrect use of funds. The consequences might be severe in some LGAs but are not likely to have severe overall consequences. In addition, changes in TASAF management also poses a risk.

#### Mitigate the risk

#### Mitigation measure

Other measure

#### Description of the mitigation measure

Capacity strengthening is part of the program and the scope for improving the systems are discussed at every bi-annual mission. There is a TASAF Technical Assistant in each PAA to provide support on financial management. As part of JRIS missions TASAF financial management will be reviewed.

### Risk of inadequate internal control: Audit processes and financial control

MEDIUM

#### Description of the risk based on the risk valuation made when the risk was added

As this is a program implemented in all LGAs there will be cases where the audit process and financial control fails. In most cases the consequences of failure of audit and financial control will be limited to an LGA or a community. The consequences for a household or a community may be severe but overall for the PSSN program, the consequence will be moderate. If audit processes and financial control would fail at the central level the consequence will most likely be severe, although this is less likely to occur. Still it needs to be pointed out that CAG, which is the PSSN auditor, also has weaknesses in capacity.

#### Mitigate the risk

#### Mitigation measure

Agreement

#### Description of the mitigation measure

TASAF is continuously strengthening its routines for financial control. Sida will procure rolling audits that follows the program. Jointly with other DPs, additional external audits may be called for. Each year DPs will jointly review the internal control systems as part of the JRIS Missions.

DPs will jointly follow up the strengthening of routines and financial control at bi-annual missions and may also commission specific reviews and analytical work if need be.

### Risk of inadequate internal control: procurement

HIGH

#### Description of the risk based on the risk valuation made when the risk was added

Given the large number of procurements at different levels, it might be difficult to monitor compliance. There will likely be instances of inadequate procurement control, mainly at the local level. To the extent that there are instances of procurement irregularities at the local level, the overall consequences for the PSSN program will be moderate even if they might be severe for individual competitors that loose out in flawed procurements and for individual communities and households.

#### Mitigate the risk

Mitigation measure	Description of the mitigation measure
Other measure	TASAF shall continue its work on strengthening its procurement standards. Sweden shall jointly with other DPs review the annual procurement plan and individual procurements above thresholds according to above. Sweden will follow up the routines for how bilateral development partners are involved in the World Bank processes for approval of procurements.

## 7 ANTI-CORRUPTION

### 7.1 Assessment of the intervention in relation to anti-corruption

The nature of the program, the size and complexity means that there is a substantial risk of corruption. This risk also increases with the implementation of the program at several levels down to local authorities. The World Bank concludes that the fiduciary risk is substantial for the program given its nature, while also concluding that the financial management arrangements and policies are adequate.

In PSSN I Sida assessed that corruption instances will mainly occur at local level and not frequently, not spread due to internal control systems in place at TASAF. It was assessed that; the consequences of corruption will be moderate in delivering results. Also, it was foreseen that if grand corruption occurs at central level the consequences will be severe.

The large number of procurements at different levels also constitute a risk for corruption. There will likely be instances of inadequate procurement control, mainly at the local level. To the extent that there are instances of procurement irregularities at the local level, the overall consequences will be less severe. The risk of procurement irregularities at the central level will also be followed in dialogue.

Sida has been working actively during PSSN I with support to improve the internal controls on financial management through rolling audit support provided by financial specialists at the company PWC. Sida also commissioned KPMG to perform a limited systems review of TMU to study budgeting, accounting practices and related risks.

The Embassy of Ireland has commissioned a financial management assessment, which will be utilized in finalisation of the appraisal. The scope of the assessment is however limited by the Covid-19 situation making on-site interviews and monitoring impossible.

In the program implementation, reviews are undertaken quarterly, semi-annually, and annually which includes review of internal control systems and annual external audits.

TASAF works to strengthen internal controls and it is Sidas assessment that the institution has adequate awareness of internal and external risks of corruption.

## 8 CONCLUDING RISK ASSESSMENT AND PREPARATIONS FOR FOLLOW-UP

### 8.1 The contribution's overall risk assessment

The PSSN II is an extensive and ambitious program and the overall risk level is assessed to be medium to high. The highest risks are related to the lack of sufficient funding for program implementation and to risks related to aspects of financial management and control. The lack of substantial funding from the Tanzanian government consists a high risk to the long-term sustainability for social protection that will be actively addressed in dialogue.

The high level of risk should be expected for this type of program in the Tanzanian context and it is Sidas assessment that there are reasonable measures in place to manage risks. While risks may cause the program to be less effective, it is still assessed that overall objectives will be reached to a high extent since a large part of the program implementation will immediately provide effects for beneficiaries.

Continued dialogue and follow up will be important to mitigate risks and support strong implementation of the program.

### 8.2 Risk Register

Perspectives and development effectiveness	Risk valuation	Risk management	Mitigation measure
Risk of negative gender effects with possible tension and gender-based violence and/or increasing work burden for women beneficiaries	MEDIUM	Accept	
The Grievance Redress Mechanism may not be utilized to claim rights to cash transfers	MEDIUM	Accept	
During the implementation the selection of beneficiaries risks becoming less accurate	LOW	Accept	

Objectives and theory of change, including ownership and sustainability	Risk valuation	Risk management	Mitigation measure
Risk of weak commitment from the Government of Tanzania to increase domestic financing of social protection	HIGH	Mitigate	Specific dialogue

  

Budget	Risk valuation	Risk management	Mitigation measure
Risk of inadequately detailed budget for funding	MEDIUM	Mitigate	Specific dialogue
Financial reports may not be sufficiently detailed or aligned to budget plans making it difficult to see utilization of bilateral funds	MEDIUM	Mitigate	Specific dialogue

  

Partner capacity	Risk valuation	Risk management	Mitigation measure
Insufficient funding may impede effective achievement of objectives	MEDIUM	Accept	
Risk of corruption	HIGH	Mitigate	Specific dialogue
Risk of inadequate internal control: management and organisational capacity	MEDIUM	Mitigate	Other measure
Risk of inadequate internal control: Audit processes and financial control	MEDIUM	Mitigate	Agreement
Risk of inadequate internal control: procurement	HIGH	Mitigate	Other measure

### 8.3 Dialogue issues

Active dialogue will be important to follow the implementation and to mitigate risks that may limit the program from reaching its full impact.

The dialogue issues that Sida will prioritise are:

- The importance of increased government funding to social protection. Analysis of fiscal space and options for financing will be important and Sida will follow up that an MTEF is undertaken and followed up in dialogue.
- Strong financial management with detailed budget and matching reporting that shows the utilization of funding from different development partners.
- The re-certification and validation process undertaken and the possibility of a continuous assessment of beneficiaries that would enable the program to include people who fall into extreme poverty during the program period, such as the annual assessments undertaken in Ethiopia.
- Cross-cutting issues, in particular the gender integration and the conflict perspective will be followed in implementation and linked to the dialogue.

#### 8.4 Follow-up plan

Sida will participate in joint follow up together with other development partners, TASAF and government representatives. In the follow up Sida will have specific focus on the following issues:

- Financial management and control, supported by continued rolling audits and financial expert advice.
- Synergies with Sidas education support shall be followed up and analysed. A specific study of education synergies and effects could be undertaken to support evidence-based dialogue.
- The effects for women's empowerment, gender-based violence and women's work burden should be followed up during implementation.
- The implementation of the Grievance Redress Mechanism should be followed up to support more effective utilization of this mechanism by beneficiaries.

## 9 SUMMARY/SAMMANFATTNING PÅ SVENSKA

### 9.1 Summary in Swedish/Sammanfattning på svenska

Productive Social Safety Net Project (PSSN II) förväntas bidra till Tanzanias strävan att utrota extrem fattigdom och ge mottagande hushåll möjlighet att; i) minska effekten av kronisk fattigdom genom att öka hushållens konsumtion; ii) skapa incitament för mottagarna att låta sina barn delta i skolgång och undersökas på hälsokliniker; iii) stödja mottagare att öka kunskap och förståelse av sparande och inkomstskapande aktiviteter; och iii) få löpande och förutsägbara kontantstöd.



PSSN II förväntas nå omkring 1,4 miljoner hushåll vilket uppskattas förbättra levnadsvillkoren för omkring sju miljoner människor som lever i extrem fattigdom. Sida föreslår stöd på 550 MSEK till PSSN II under perioden 2020-2024.

Sida har gett stöd till den första fasen av programmet, PSSN I med 750 MSEK under 2016-2020. Den första fasen har visat starka resultat för att minska inkomstfattigdom, förbättra livsmedelstrygghet, öka barns deltagande i skolgång liksom för ökade produktiva investeringar vilket stärker hushållens förutsättningar att öka sin inkomst.

Utformningen av fas två bygger på de starka delarna från fas ett med kontantstöd i programmets kärna, samtidigt som ökat fokus ges till offentliga arbetstillfällen och till att skapa försörjningsmöjligheter. Det finns tydligare fokus på sårbara grupper, inklusive barn och människor med funktionsvariationer och en ökad prioritering av att integrera jämställdhet, miljö, deltagande och ansvarsutkrävande. PSSN II expanderar även från 70% av Tanzania till att omfatta hela landet.

I Tanzania beräknas 26% av befolkningen leva i fattigdom medan 8% beräknas leva i extrem fattigdom (Tanzania Household Budget Survey 2017/18). Trots förbättringar kvarstår stora strukturella utmaningar inom utbildning, hälsa, jordbruk och infrastruktur. Möjligheterna till produktiv anställning är begränsade. Samtidigt har pandemin Covid-19 fått negativa ekonomiska effekter som ytterligare försvårar möjligheterna att minska fattigdom.

PSSN II förväntas ge konkreta resultat för att minska flerdimensionell fattigdom för människor som lever i extrem fattigdom och är därför av hög relevans för det övergripande målet i Sveriges strategi för utvecklingssamarbete i Tanzania. Kombinationen av kontantstöd med länkar till utbildning, hälsa, nutrition och försörjningsmöjligheter bedöms vara viktig för att minska fattigdom och utsatthet.

Världsbanken står för det största finansiella bidraget till PSSN II med 450 MUSD i IDA-lån, medan bilaterala givare planerar att bidra omkring 90 MUSD Sida (60), Norge (15), Schweiz (15) och Irland (2). Ytterligare bidrag ges från Bill och Melinda Gates Foundation (1,4) samt FSDT, Financial Sector Deepening Trust (1,2) samt EU (12,67 M Euro). FCDO (Storbritannien) kommer också att bidra till PSSN II, men har inte beslutat om vilken nivå på stödet. Det finns ett finansieringsgap på 267 MUSD. Tanzanias regering har avsatt 14 MUSD och förväntas gradvis öka sin finansiering för implementeringen, vilket kommer att vara avgörande för programmets hållbarhet.

Sida bedömer att den genomförande parten TASAF har tillräcklig kapacitet för att genomföra PSSN II och att det finns en god plan för att genomföra kapacitetsstärkande åtgärder i programmet. Den finansiella rapporteringen har dock varit otillräckligt detaljerad och är en viktig fråga för dialog och uppföljning som föreslås stödjas av en upphandlad finansiell expert. PSSN genomförs i stor skala över hela landet, vilket innebär risker då kapaciteten är ojämn på lokal nivå. Det decentraliserade genomförandet ökar också risken för korruption.

Den främsta risken i PSSN II gäller den långsiktiga hållbarheten och den otillräckliga finansieringen. Tanzanias regering bedöms ha starkt stöd för PSSN II, men det stödet har inte materialiserats i budgetanslag.

Sammanfattningsvis bedömer Sida att PSSN II trots ovan nämnda risker kommer att ge konkreta och tydliga effekter för att förbättra levnadsvillkoren för människor som lever i extrem fattigdom i Tanzania, liksom effekter för att stärka humankapital genom länkar till nutrition, hälsa och utbildning. Möjligheterna för människor som lever i fattigdom att hitta hållbara försörjningsmöjligheter kommer också att förbättras. Programmet förväntas dessutom bidra till att långsiktigt utveckla och stärka systemet för social trygghet i Tanzania.

## 9.2 Summary

The Productive Social Safety Net Project (PSSN II) is expected to contribute to Tanzania's efforts to eradicate extreme poverty and provide beneficiary households the opportunity to: (i) mitigate the impact of chronic poverty through increased household consumption; (ii) to create adequate incentives for beneficiaries to send children to schools (particular to secondary schools) and to regularly visit health facilities; (iii) to support beneficiaries to enhance knowledge and understanding of savings and income generating activities; and (iv) a timely and predictable cash benefits.

PSSN II will reach around 1.4 million households, when fully scaled-up, estimated to improve lives of some seven million people living in extreme poverty. Sida is proposing support of 550 MSEK to PSSN II during the years 2020-2024.

Sida has previously supported phase one, PSSN I, with 750 MSEK 2016 - 2020. The first phase showed strong results in reducing income poverty, improving food security and childrens enrollment in school, as well as increasing productive investments that enable households to increase their income.

The design of phase two builds on the strong parts of phase one with cash transfers at the core, and develops further the public works component as well as the livelihoods component. There is an enhanced focus on vulnerable groups, including children and people with disabilities and an enhanced focus on cross-cutting issues such as gender, environment, participation and accountability. The project will also expand from 70% of Tanzanian communities to cover extremely poor households in the whole country.

In Tanzania, the percentage of the population living in poverty (below the basic needs poverty line) is 26,4 percent and those living in extreme poverty (below the food poverty line) are 8 per cent, according to the Tanzania Household Budget Survey 2017/18. Despite improvement there remains large structural challenges within education, health, agriculture and infrastructure. The possibilities for productive employment are limited. The negative economic effects of the pandemic Covid-19 also limits possibilities for reducing poverty.

The World Bank has the main financial contribution to PSSN II of 450 MUSD in IDA-loans, while bilaterals plan to contribute approximately 90 MUSD Sida (60), Norway

(15), Switzerland (15) and Irish Aid (2). Funding is also provided by Bill and Melinda Gates Foundation (1,4) and Financial Sector Deepening Trust (1,2) and the EU will allocate support (12,67M Euro). FCDO (Great Britain) will contribute to PSSN II, but has not stated which amount. There is a funding gap in the project of 267 MUSD and the Government of Tanzania is expected to add a gradually increasing amount to the implementation.

Sidas assessment is that with the planned capacity building initiatives integrated in the programme there is sufficient capacity in the implementing agency TASAF. The financial reporting has however been insufficiently detailed and will need to be followed up in close dialogue, it is recommended that a financial specialist is procured to support dialogue. The decentralized delivery down to village level is accompanied with uneven capacity gaps and this also is linked to risks for corruption.

The main risk is related to the long-term sustainability and the funding gap. Continuous dialogue with the government and follow-up of the risk will be important.

In conclusion, it is Sidas assessment that the PSSN II despite the above mentioned risks will give concrete effects to improve the living conditions of people living in extreme poverty in Tanzania combined with effects to improve human capital through the linkages to nutrition, health and education. In addition the opportunities for people living in poverty to find sustainable livelihoods is expected to improve, resulting in fewer people living in poverty. While having direct effects for people living in poverty, these effects will also be important for long-term growth. In addition, the program is expected to provide long-term results for strengthening the system for social protection in Tanzania.

## 10 QUALITY ASSURANCE

### 10.1 Support has been activated in Trac for Quality Assurance Review of the Appraisal

### 10.2 Management of recommendations from Quality Assurance Review

The minutes from the CMC were delayed over six weeks, until after pre-decision meetings. However, the comments from the meeting covered key issues in the appraisal process and were thus included in the appraisal process. Below are comments to the minutes.

Graduation:

This aspect is included in the appraisal, section on rights perspective.

Gender perspective and households with girl child:

Such a condition would be administratively burdensome and is not according to Sidas view on best practice for social protection programmes. Conditionalities may lead to

errors in implementation and most often increase the work burden of women who become responsible to ensuring that conditionalities are met.

Covid-19:

Covid-19 has been assessed as part of the appraisal process and is not expected to pose a major risk at this point. The situation in Tanzania will be closely followed and also with a gender perspective.

Challenges:

These risks are already included in the appraisal including choice of measures. See risk matrix.

Budget management:

Budget analysis was already included in the appraisal as well as the ongoing work to improve financial reporting to include more specification for bilateral donors.

Budget gap:

The budget gap was already included in the appraisal as well as the ongoing dialogue to follow this issue.

E-payment:

The e-payment pilots and the risks and challenges with e-payments have been included after the CMC.

Audits:

The rolling audits that will continue are included in the appraisal.

Government allocation of resources:

The budget gap was already included in the appraisal as well as the ongoing dialogue to follow this issue.

Capacity development:

The wording has been changed accordingly after the CMC.

### **10.3 The Control Function has actively participated in the appraisal, either by performing parts of the assessments or as an advisor during preparation of the Appraisal Memo and draft Agreement.**