Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-May-2019 | Report No: PIDA26801

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Angola	P169779	Angola Social Safety Nets	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	22-May-2019	27-Jun-2019	Social Protection & Jobs
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Republic of Angola	Ministerio da Accão Social, Familia e Promocão da Mulher, Fundo de Apoio Social	

Proposed Development Objective(s)

The objectives of the project are to provide temporary income support to poor households in selected areas of the Angolan territory, and strengthen delivery mechanisms for a permanent social safety net system.

Components

Component 1: Cash transfers program to poor households
Component 2. Development of an effective safety nets system
Component 3: Project management

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	320.00
Total Financing	320.00
of which IBRD/IDA	320.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	320.00

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The Angolan economy is at a significant juncture.** The current growth model based on oil wealth is nearly exhausted and has not delivered inclusive growth and shared prosperity. In addition, over-dependence on oil has made growth and macroeconomic management highly vulnerable to external shocks. The challenge for the new Administration of President João Lourenco, the first new leader in almost four decades and in office since September 2017, is to lay the foundations for a new growth model that is more open and inclusive, and less dependent on oil. Prospects of persistently low oil prices and potentially diminishing oil reserves over the longer-term make the call for economic diversification and inclusion even more pressing. Within this context, Angola faces two broad policy challenges that need to be urgently addressed:

- Angola needs institutions that support more sustainable and less volatile growth. The sharp and prolonged decline in oil prices since mid-2014 has reduced oil revenues and caused GDP growth to contract over the past three years. The current account deficit stood at 8.8 percent of GDP in 2015, large fiscal deficits have been recorded since 2014, public debt has doubled over the last three years. There is also an urgent need to safeguard financial system stability as the undercapitalization of a systemically important state-owned bank, the loss of direct U.S. dollar correspondent banking relationship, and non-performing loans are inhibiting the banking sector's ability to provide needed credit for the private sector, especially for small and medium enterprises. Inflation escalated in 2016, reaching a peak of 40 percent in December 2016, before retrenching to 18 percent in February 2019.
- Angola needs a more inclusive growth model that promotes private-sector led diversification and protects the poor and vulnerable. Up to now, Angola has relied on the oil industry and high oil prices to drive economic growth and to rebuild a large part of its infrastructure, which was destroyed during the long Civil War (1975-2002). Inequality remains high, with a Gini coefficient of 0.43 in 2016. In the 2015, Angola ranked 150 (out of 188) in terms of Human Development Indicators. The Human Capital Index (HCI) is at 0.36 and performs below income comparators and the Sub-Saharan Africa's average at all levels. In 2016, about 30 percent of the Angolan population remained below the international poverty line (at $1.90/ day and 55 percent if $3.1/day is considered). Investment in human capital, effective institutions and a favorable business environment are critical for economic diversification and job creation.

2. **The new Administration is aware of these challenges and has started to implement much needed reforms.** Decisive steps have been taken towards restoring macro-stability and the medium-term National Development Plan (2018-2022) lays out a road map towards a more diversified and inclusive growth model that is open to supporting a young and growing population. The new Administration has also shown willingness to tackle entrenched interest and has undertaken several critical reforms, including the passage of laws for greater private sector investment and transparency. It is advancing plans to open up important sectors to competition, including through privatizations of large-scale state-owned enterprises. Macro-economic policies have been adjusted to reflect market realities and address imbalances; these include greater exchange rate flexibility; the modernization of monetary policy; plans to reform and better target subsidies; more effective management of natural resource wealth through the creation of a Sovereign Wealth fund with the dual objective of fiscal-stabilization and long-term saving; and a commitment to restructure state-owned banks. The proposed project intends to support Angola in its ambitious and urgent reform strategy, by ensuring that the social safety net strengthens the resilience of the poor and vulnerable to economic shocks and the opportunities for them to strengthen their human capital and contribute to the country's growth.

3. **Angola's wealth has hardly benefitted its poor**. The boom and bust cycles and high revenue/expenditure volatility are preventing sustained investment in physical and human capital, which could prove counterproductive to longer-term development. The Republic of Angola is the third largest economy in Africa, the second largest oil producer, and the third diamond producer. However, its human development outcomes rank below those of most lower income countries. Angola's share of population ages 0–14 ranks fifth in the world: almost half (48 percent) of the population is less than 15 years old and only 2 percent are 65 years or older. Life expectancy at birth was at 53 years in 2016, making it the seventh-lowest in the world. At 477 per 100,000 live births, maternal mortality rate has improved over the past few years but remains almost eight times the average in UMICs (57 per 100,000 live births). Angola had the highest infant (96 per 1,000 live births) and child (157 per 1,000 live birth) mortality rates in the world in 2015. Angola is in the bottom 10 countries in terms of learning outcomes.

4. **Women's human capital and economic empowerment are particularly low.** The averages hide significant inequality between women and men: only 52 percent of women above 15 years of age could read and write in 2008-9 compared to 81 percent of men, with the gap larger in rural areas and in 2015-16, 22 percent of women had never attended school compared to 8 percent of men (MASFAMU, 2017). Fertility rates are high, at 6.2 children per woman aged 15-49, with differences by location and education (8.2 in rural areas vs. 5.3 in urban). Only 14 percent of women have access to contraception while 52 percent express demand for it. Teenage pregnancy affects one third of adolescent girls 15-19 years of age. Income and schooling levels are linked to fertility: 53 percent of adolescent girls in the bottom two quintiles are mothers compared to 16 percent of those in the top quintile, 58 percent of adolescent girls with no schooling are mothers compared to 25 percent of the ones with secondary or higher education. High fertility is also linked to low labor force participation and low-quality jobs. Only 45 percent of women participate in the labor force compared to 61 percent of men. Women are concentrated in the informal sector, mostly in agriculture (36 percent of women vs. 28 percent of men) and trade (50 percent of women vs. 23 percent of men) and 30 percent of working women are unpaid.

Sectoral and Institutional Context

5. **Angola's public spending on social sectors, as a share of GDP, is below other country group averages**. In 2018, the budget allocation for the social protection sector decreased in nominal terms while the allocation for

health and education increased but decreased as a percent of estimated GDP. In 2017, health expenditures amounted to 1.6 percent of GDP (compared to an average 2.9 percent of GDP in Africa). Education expenditures were 2.5 percent of GDP (compared to an average 4.5 percent of GDP in Africa). Social safety net expenditures were 0.3 percent of GDP -- well below the average spending in Africa of 1.3 percent of GDP. Despite decreased fuel and utility price subsidies, the amount spent in 2017 remained above the amount spent in upper-middle-income countries (UMICs) (1.4 percent of GDP in Angola versus 0.5 percent of GDP in UMICs).

6. **The GoA is working to establish a social protection system, but the system remains highly fragmented.** Law 7/04 of 2004 establishes the legal and institutional framework for social protection in Angola with three pillars: Basic, Compulsory, and Complementary Social Protection. The Ministry of Social Action, Family, and Promotion of Women (*Ministério da Acção Social, Família e Promoção da Mulher*, MASFAMU) is the main institution responsible for coordinating the implementation of social policies in Angola. Social protection spending is highly concentrated in two ministries: The Ministry of Public Administration, Labor, and Social Security (*Ministério da Administração Pública, Trabalho e Segurança Social*, MAPTSS) and the Ministry of National Defense (*Ministério da Defesa Nacional*, MINDEN) mainly for contributory social protection. Noncontributory social assistance receives avery limited budget allocation, barely 2 percent of total social protection spending. The Social Action Fund (*Fundo de Accão Social*, FAS) under the MAT, supports local service delivery. The Ministry of Education (*Ministério da Educação*, MED) implements several educational programs such as school feeding, distribution of uniforms and tertiary scholarships, but its budget allocation is not included as social protection. Fuel and utility price subsidies expenditure also falls under the social protection budget.

7. **Social protection spending has decreased significantly, is poorly targeted and largely ineffective.** Government spending on fuel and utility price subsidies has by far exceeded spending on (contributory and non-contributory) social transfers. Angola's social protection spending is thus highly regressive, since price subsidies–which mainly benefit the better-off[1]–accounted for almost 64 percent of total social protection spending between 2010-2017. Overall, the poor and the youth do not seem to be well served by Angola's social protection system and the country's social protection needs to better align with the needs of a young, growing population, with high levels of multi-dimensional poverty and significant spatial, gender and generational inequality.

8. **Subsidies have historically represented a large share of the budget, but a combination of policy reforms—including the implementation of a subsidy reform at the end of 2014—and falling oil prices has reduced their budgetary impact since 2015.** Angola subsidizes fuel, electricity, water and transport prices and state-owned enterprises (SOEs). The government has embarked on a bold subsidy reform since September 2014, reducing spending on (price and SOE) subsidies from 5.9 percent of GDP in 2013 to 1.4 percent in 2017. The extent of the total impact of the subsidy reform (including fuel, water, electricity, transport) is not yet known because information regarding the magnitude and structure of subsidies is scarce. World Bank's preliminary estimations[2] showed that the direct effect of the increased tariffs will wealthier households more than poorer ones. However, in urban areas, where access is higher than in rural areas, poor households would be negatively affected by the removal of subsidies for electricity, water and fuel, directly and indirectly through the increases in goods' prices.

[1] While 77 percent of fuel price subsidies benefit the top 40 percent households, only 10 percent accrues to the bottom 40 percent.

[2] Based on the first 6 months of the IDREA data

9. **The government intends to move quickly with further subsidy reform in 2019 and improve the effectiveness of social protection interventions.** Angola has little fiscal space to cut expenditures. Faced with a large government debt and declining oil production, the country needs to pursue a gradual but consistent fiscal consolidation path, and concomitantly scale up and improve the effectiveness of social services. Eventually, the government should direct part of the savings obtained from subsidy removal and other efficiency gains toward increasing education, health, and social protection expenditures. The GoA has recognized social safety nets as an effective way to strengthen the capacity of poor households to withstand shocks, including economic ones. The subsidy reform provides an opportunity to shift the social contract from one of universal, inefficient and regressive subsidies to a system of poverty-targeted social safety nets that can strengthen resilience and equity and help provide opportunities for the poorest so that they can partake in the economic diversification of the country.

10. **Angola has started to experiment with cash and near-cash transfers in recent years**. The *Cartão Kikuia*, a voucher program, started in 2014 and aims to provide basic consumer items for the poorest households in the country, in the form of specific electronic cards to be redeemed in specific stores selected by the government. The value of the benefit is Kz 5,000 monthly for 12 months. The targeting mechanism combined geographic, categorical, and poverty criteria but was not rigorously implemented. Since inception, the program has only reached 40,000 households, who received at most one or two monthly payments and disbursement rates were less than 50 percent in 2015 and 2016 (SPL PER, 2018). In 2018, the government decided to pilot cash transfer programs, including the planned Child Grant Program supported by the United Nations Children's Fund (UNICEF) (financed by the European Union [EU]). The program will provide cash transfers of EUR 10 per child from 0 to 4 years to 18,000 children (approximately 6,000 households). The pilot is tested in vulnerable areas of Moxico, Uige, and Bie and has informed the design of targeting and payment mechanisms for the proposed project. Were they to be extended, through the social registry, these child-focused transfers could provide a complement to the proposed cash transfer program which is household and poverty-targeted.

11. **With the support of the World Bank through the Local Development Project (P105101), FAS will implement a pilot cash-for-work program to combine regular income opportunities of poor and vulnerable households with the creation of basic local productive infrastructure, as well as skills and on-the-job training.** The pilot will be implemented in six of the poorest rural municipalities (Chongoroi, Luacano, Muconda, Quela, Quilengues, and Ukuma)and approximately 7,000 beneficiaries will participate in cash-for-work activities. Participants will work 20 days per month for four months each year during the two years of implementation of the project and will be paid Kz 400 per day (approximately US$2.4), amounting to a total of US$386 over the two-year period. The cash-for-work intervention would potentially complement the proposed cash transfer program in smaller towns with a greater dependence of poor livelihoods on agriculture..

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The objectives of the project are to provide temporary income support to poor households in selected areas and strengthen the delivery mechanisms for a permanent social safety net system.

Key Results

Indicator Name	End Target
Percentage of cash transfer beneficiary households among the poorest 40 percent	70.00
Beneficiaries of social safety net programs (households)	1,000,000.00
Beneficiaries of social safety net programs - Female	2,600,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers	5,000,000.00
Beneficiaries of Safety Nets programs – Links to human development programs	600,000.00
Percentage of cash transfer program beneficiaries among the poorest 40 percent	70.00
Number of administrative units (CASIs, MASFAMU offices) adopting the CSU as a single gateway to SSN programs	40
Percentage of cash transfer beneficiary households in which some members (female/male) benefit from access to local human development services	60.00
	40.00

D. Project Description

Component 1: Cash transfer program to poor households (IDA US$ 260 million equivalent)

12. **The objective of this component is to design and implement the systems for a temporary cash transfer program that aims to mitigate the impact of the subsidy reform** on poor populations (bottom two quintiles) with a goal of reaching one million households. The cash transfers would last for 12 months, in the form of six bimonthly payments of AOA. 10,000.00 per household. The cash would contribute to help households smooth consumption as they adjust to the direct and indirect basic goods and services price increases. The component includes two sub components.

Subcomponent 1.A – Key permanent delivery systems to implement social protection programs (US$ 15 million)

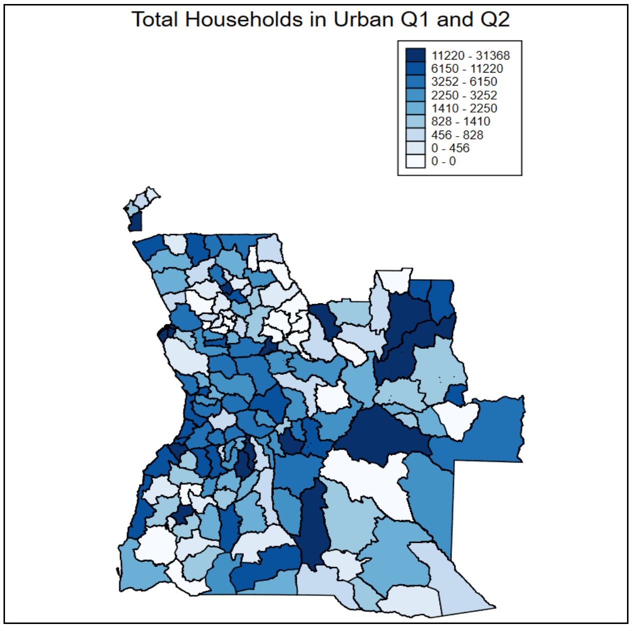
13. **This subcomponent is expected to increase the effectiveness of the social protection system by developing delivery systems** that enhance the effectiveness and efficiency of the social protection sector and allow MASFAMU, especially the National Directorate for Social Assistance, FAS, and participating municipalities to better manage their programs. The specific systems to be further developed under the project include the following:

- **Social Registry (*Cadastro Social Unico*).** The Government of Angola recently approved a Unique Social Registry **(*Cadastro Social Unico, CSU*)** that would serve as a national instrument for outreach, intake, registration, and determination of potential eligibility for all social programs[3]. The Social Registry is also conceived as a planning tool for municipalities to better understand the vulnerability of their populations. It would contribute to strengthen capacity to design policies and programs and perform monitoring and evaluation of existing programs. This is a potentially key instrument in the framework of the decentralization process, supported by the on-going World Bank TA project (P166629). The proposed project will support the registration of up to 2 million households, which data will feed into the CSU.

- **Targeting system.** The targeting system will include (i) geographical targeting through poverty maps (Figure 1); (ii) individual targeting through a PMT formula; and (iii) community validation). Municipal and *comuna*-level poverty maps and a PMT using the 2008 household survey will be used to start household registration in the CSU (component 1) and would be updated as the 2018 household survey data becomes available. The household targeting system would complement the existing municipal profile system managed by FAS.

Figure 1: Poverty map for Angola

[3] The decree setting up the CSU was published on May 10, 2019



Given the products affected by the planned price subsidy reform (water, electricity, transport and fuel), urban areas and areas along the economic coastal corridor are likely to be most affected. The geographical targeting would thus focus on provincial capitals and the municipalities that concentrate the highest number of urban households in the bottom two quintiles. Based on available information, it is expected that 40 percent of beneficiary households be headed by women and that beneficiaries would be distributed roughly evenly between urban and rural areas of the selected municipalities.

At the household-level, potentially eligible households would be surveyed at selected registration points with a questionnaire collecting basic information to identify and locate the household and compute their proxy-means score. It is expected that the project would support the registration of up to 2 million potentially eligible households in the selected areas. The information will feed into the unique social registry (*Cadastro Social Unico*, CSU).

- **Payment system.** A payment system will be established, working through external payment agencies with a view to stimulate financial inclusion. The UNICEF-supported pilot APROSOC program uses transfers to bank accounts. The government would need to contract one or more payment agencies (banks) through a competitive process. Selected payment agencies would deliver transfers through electronic payment instruments (initially payment cards) linked to a pooled or individual basic transaction bank account, set-up specifically for the program.

Under the proposed project, the cash transfers would last for one year, after which a subset of households would be supported to access other existing local safety nets programs. Initially, transfers would be paid bimonthly through payment cards (potentially quarterly in areas where payment infrastructure is especially weak) or basic bank accounts.

- **Management Information System (MIS).** First, an MIS will be designed and implemented specifically for the cash transfer program. The main modules would comprise (i) registration into the CSU and beneficiary identification modules; (ii) payments module; (iii) Monitoring and Evaluation (M&E) module; and (iv) grievance redress mechanism (GRM). Modules to support the safety net system would include (i) referral to productive inclusion activities and human development services, and (ii) benefits management.

- **M&E system.** Current safety net interventions do not collect systematically output and outcome indicators and no impact evaluations of MASFAMU's core interventions are available. The project would help MASFAMU and FAS improve their M&E system by: (i) defining a results framework for the cash transfers and developing instruments to track these indicators; (ii) conceptualizing the instruments to be used to monitor the cash transfer programs and other selected interventions, including performance of the registry, process evaluations, impact evaluation; and (iii) assessing beneficiary perception and satisfaction. The impact evaluation would assess the poverty impacts of the cash transfers as well as their access to human development services (with a focus on access to schooling for children and adolescent girls, access to maternal and child health services, and access to water) on a sub-group of the beneficiaries among the later waves of registration. It will also assess sex-disaggregated impacts of the productive inclusion activities on beneficiaries' income-generation and overall welfare.

- **Grievance Redress Mechanism (GRM).** An information and complaint redress system to enable both beneficiary and non-beneficiary households as well as local implementers to inform and lodge complaints about selection, payments, compliance, quality of services, GBV related to payments to women and SEA related to sexual favors for registration or any other issue arising during implementation, and to seek redress will be designed and implemented under the project. The GRM will be adapted to cultural specificities in municipalities where the safety nets would reach indigenous households.

- **Basic referral system for cash transfer beneficiary households to access local productive inclusion and human development interventions.** After the temporary cash transfers, a subset of beneficiary household members would be referred to productive inclusion activities and/or human development programs/services implemented in their municipality of residence.

13. **The registration, targeting, payment systems and a basic version of the MIS for the cash transfer program will be piloted in two municipalities** (Cacuaco, Luanda Province and Huambo, Huambo province), potentially with support from the Local Development Project (P160105). The pilot is expected to identify at least 45,000 beneficiary households. Experience from this pilot will inform the phased scale-up of the cash transfer programs.

Subcomponent 1.B – Cash transfer program (US$ 245 million)

This subcomponent is expected provide cash transfers to one million households over one year. Beneficiaries would belong to the poorest 40 percent households in selected areas.

Transfer amounts and payments

14. **Transfers to be received by the beneficiary households amount to the equivalent of 10 percent of the poverty line per individual** i.e. AOA 5,000.00 (approx. US$ 15.00) per month and per family. This amount is close to the average poverty gap of AOA 5,500.00 and maximizes the cost-benefit ratio of the transfers in terms of estimated poverty reduction impacts, given the significant coverage of the bottom 40 percent. Uncertainty about the extent of the subsidies and their impacts on different household groups, means that this amount may be revised after updated simulations based on the IDREA 2018 data.

15. **As savings from the subsidy reform and other efficiency gains materialize, the program would be progressively expanded** either to potentially increase amounts/duration based on updated estimates of the impact of the subsidy reform and/or to cover other affected groups, based on the planned update of the poverty map using the

on-going IDREA household survey also supported by the World Bank (P157671). Similarly, as the legal framework and payment infrastructure for financial inclusion improves, transfers could be extended more frequently and/or through mobile payments.

Recipients

16. **Despite the dearth of individual-level information on poverty in Angola, documented gender inequality in the country suggests that the marginal impact of the transfers would be higher if they reached women**. It is estimated that a significant proportion of beneficiary households will be households with a single female adult earner (approximately 40 percent of households self-report as female-headed, **Error! Reference source not found.**). The project will support specific outreach activities to ensure these households can access registration points. The project will encourage the issuance of beneficiary payment cards to women in households. Complementary activities would include a partnership with the Ministry of Justice to increase access to identification (*Bilhete de Identidade*) especially for women. Given the high prevalence of gender-based violence (35 percent of ever-married Angolan women aged 15-49 years reported experiencing intimate partner physical and/or sexual violence at least once in their lifetime and 26 percent in the past 12 months in 2017), Community Development Agents (ADECOS) and civil society will provide couples and community awareness-raising interventions to mitigate potential risks of increased intra-household conflict and gender-based violence around the management of the cash transfers.

Component 2: Development of an effective basic safety nets system (US$ 50 million equivalent)

17. **The specific objective of this component is to strengthen the capacity of MASFAMU, FAS and partner institutions responsible for activities in social safety nets at the central, provincial and municipal levels to implement the cash transfer program and to build the basic blocks of a proper safety nets system**. This component includes two sub-components: strengthen communication and develop complementary programs to support productive and human capital investments at the municipal level.

Subcomponent 2.A: Communication strategy for the subsidy reform and the safety net programs (US$ 5 million)

18. **This sub-component is expected to increase the support for the subsidy reform and help broaden the political space for its implementation**. The project would support the Ministry of Finance, the Ministry of Social Communication and MASFAMU to set up and implement a communication strategy for the subsidy reform. Communication activities will provide key information to external (citizens) and internal (civil servants and decision-makers) audiences to help create awareness and understanding of the subsidy reform as a reform of the social contract within the overall reform agenda, with the transformation of the social safety net from universal regressive subsidies to poverty targeted direct transfers including the cash transfer program and the improvement of basic services and economic diversification which would benefit the middle-class.

19. **The project would also support FAS and MASFAMU to set-up and implement an information, education and communication (IEC) strategy for the operationalization of the cash transfer program** and other selected programs. The IEC strategy would seek to foster basic awareness about the role and functions of the social registry, its relationship with the cash transfer programs and other safety nets, the characteristics of the cash transfer program and the role and responsibilities of the different implementers. Outreach will be especially key to foster registration and to inform potentially eligible households about the registration process (on-demand at registration points, type of information and documentation needed). Communication should emphasize that registration is necessary does not guarantee

access to the cash transfers or any other safety net programs. Communication should also explain the process for enrollment into the cash transfer program, the payment mechanism, the process for complaints and appeals, and the roles and responsibilities of main implementers.

Subcomponent 2.B: Establishment of an effective basic safety nets system, supporting investments in productive and human capital (US$ 45 million)

20. **This sub-component is expected to strengthen the poverty impacts of the safety net systems by helping address more structural characteristics of poverty**. It aims to support the Government of Angola in establishing an effective poverty-targeted cash-based safety nets system in the mid-term. Building on the on-going decentralization process, which includes the municipalization of social assistance, institutional and administrative capacity for well-targeted and scalable social assistance programs for the poor - such as cash transfers, productive inclusion initiatives and services to support to human capital development– would be strengthened at the decentralized level to enable the poor and vulnerable population to participate in the country's development and growth process. The project would thus support the development of a referral system (Component 1.A).

21. **A subset of the cash transfer program beneficiaries would be referred to existing productive inclusion, supported by FAS in selected municipalities**. The types of activities offered to participants would largely depend on the interventions available in their municipality of residence but would include specific technical assistance to increase their income-generation capacity. Participating members of the household could be an out-of-school teenager, or an out-of-labor force/underemployed adult. The project will support interventions to facilitate the participation of women in income generation, especially by providing support to potentially working mothers through child care services.

22. **Based on the information in the social registry, the project would support technical assistance to strengthen social sectors coordination and access of the cash transfer beneficiaries to human development services.** Building on the mapping of social services developed by the Health and Community Development Agents (ADECOs) with support from the Local Development Project, the project will support the incipient municipal Integrated Centers for Social Assistance (CASI) already present in 19 of the targeted municipalities in developing pilot coordination mechanisms and intervention between the SSN, identification, health and/or education providers. The project would also provide technical assistance to improve social sector coordination bodies, at the municipal level the Social Concertation Committee (*Comité de Concertacão Social)* and at the national level the National Council for Social Action.

23. **The project would provide support to the 19 existing CASIs for activities that would help strengthen the linkages of beneficiaries to human development services** such as (i) mobile ID/registration campaigns, (ii) behavior change campaigns by ADECOS for beneficiary households to bring drop-out children/youth back to school to further investments in their human capital, to prevent early marriage or teenage pregnancy, to access mother and child and reproductive health services, to prevent chronic malnutrition (stunting) (iii) health fairs, support to victims of domestic violence, social inclusion of teenagers and youth through CSOs. A positive menu of eligible activities will be developed in the operational manual. These activities could provide demand-side complementarities to supply-side interventions supported by the Health System Performance Strengthening (P160948) project and forthcoming Girls' Empowerment and Learning for All (P168699) project.

24. **Municipalities with an established CASI will present a budgeted plan to MASFAMU/PISU, with the activities to be supported**. Following procedures described in the operational manual, MASFAMU/PISU would approve the plan and FAS would procure the materials needed for the implementation of the activities. Eligible expenses for CASIs under this component would include: information materials for the campaigns, field materials for ADECOS to implement the interventions, technical assistance, operating costs for ADECOS and community members. No works (i.e. construction of CASIs) will be supported by this component.

Component 3: Project management (US$ 10 million equivalent)

25. **This component would support the establishment of a dedicated project implementation support unit (PISU) to support FAS and MASFAMU in implementing project activities**. It is anticipated that FAS will lead the implementation of the cash transfer program and the overall operations of the project activities while MASFAMU will focus on coordination, overall communication strategy for the reform, and supervision of the CASIs and coordination with human development service providers. Given the expected increase in workload to establish various novel delivery mechanisms and to deliver cash transfers at scale, the project will support the recruitment of a core group of team members including a project coordinator, an operations coordinator, a registry coordinator, a payment coordinator, as well as financial management, procurement, M&E, gender and social development, institutional development, IT and communication specialists. This staff will liaise with municipalities and other actors who provide services in the communities.

26. **The project will support the establishment and activities of a multi-sectoral committee**, led by the Secretary for Economic Affairs of the Presidency and including MINFIN, MASFAMU, MAT and INE which will function as a steering committee for the project and contribute to a whole of government approach for the subsidy reform.

27. **The component will also support targeted capacity building for the implementation of programs.** Component 2 seeks to strengthen government's operational capacity to implement. monitor and evaluate the social safety nets, and effectively use the delivery systems. This component would support the provision of additional technical assistance and specific capacity building activities for MASFAMU and FAS so that they can strengthen strategic planning, fund-raising, and advocacy for social assistance. Given the gender gaps in human capital and economic empowerment, capacity-building activities will also focus on the SSN can be designed and implemented to maximize their potential in addressing those gaps.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

The project activities do not include any physical works or construction. Project activities include unconditional cash transfers, and referral of a subset of households to complementary interventions such as providing skills and grants to poorer household members, to promote self-employment and entrepreneurship, increase local productivity and enhance linkages with other existing Government initiatives. However, the potential for environmental and public health impacts related to productive inclusion activities. Since beneficiaries are located in the municipalities which hold the highest number of urban poor, they may be in peri-urban and rural areas of the municipalities and productive inclusion activities may include small agricultural activities. The overall social benefits are expected to be positive but there are identified social risks and impacts related to gender inequality, social inclusion, sexual exploitation and abuse (SEA), gender-based violence (GBV), use of security personnel, legacy issues relating to heightened vulnerability status of beneficiaries who may have previously been subject to forcible relocation and indigenous people. The project prepared an Environmental and Social Management Framework (ESMF) that provided general environmental and social baseline information relevant to the project; assessed anticipated E&S risks and impacts based on the relevant ESSs; described how subprojects will be reviewed and screened, including the type and timing of any subproject E&S assessment instruments; and detailed the institutional arrangements for E&S assessment, management, supervision and reporting. The ESMF addressed potential indirect environmental impacts, as well as social risks and impacts such as social inclusion, resource competition/inter and intra-household conflict, and any relevant legacy issues. SEA and GBV risks will be managed through an Action Plan and an Indigenous Peoples Policy Framework (IPPF) will be prepared to address engagement with indigenous peoples. Social risks expected to be avoided through project design include support for specific outreach activities to ensure female-headed households can access registration points and will encourage the issuance of beneficiary ATM cards to one woman or the main couple in households. Encouraging the issuance of ATM cards will also avoid potential risks related to use of security personnel for distribution of cash benefits. Current relevant ESS are : 1, 2, 3, 4 ,7 and 10.

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

E. Implementation

Institutional and Implementation Arrangements

28. **According to Presidential Decree 19/18 of January 29, 2018, the mission of the Ministry for Social Action, Family, and Promotion of Women (MASFAMU) is** to design, coordinate and implement social policies and programs for the most vulnerable population groups, to fight poverty, defend and strengthen family welfare, the promotion of women, community development and guarantee women's rights in terms of gender equality and equity. The ministry manages the Social Assistance Information System to be articulated with the *Cadastro Social Unico*.

29. **According to Presidential Decree 48/19 of February 6, 2019, the Social Action Fund (FAS) supports and contributes to the promotion of sustainable participative development** among the poorest or vulnerable populations, through poverty alleviation and economic stabilization programs. It intervenes in zones that most need public investments, to increase basic social service supply and alleviate community poverty. FAS has

provincial and municipal representations. Since 2010, FAS has been implementing the Local Development Project (P160105).

30. **MASFAMU and FAS have been coordinating already in the implementation of safety nets.** At the municipal level, MASFAMU and FAS both participate in the Municipal Social Concertation committees and co-manage the ADECOs, who could eventually play a supply-demand integratory role at the local level while also helping to register households in the Unified Social Registry.

31. **The proposed project follows the coordination process put in place and would thus be jointly implemented by MASFAMU and FAS, with the support of a Project Implementation Support Unit (PISU) with dedicated staff to the project**. The PISU will be legally established under the direct supervision of the Director of FAS. MAT would include the PISU in FAS administrative structure. The PISU will support the implementation of all three components of the project, including technical, monitoring, fiduciary, and safeguards-related aspects. Therefore, the PISU, in addition to the staff necessary to carry out activities related to financial management, procurement and safeguards (FM and procurement specialists and a social risk management specialist), will include technical specialized staff to support activities undertaken by both FAS and MASFAMU. The PISU will coordinate with the municipalities and other service providers such as the field operators, payment agencies and external evaluators, which will operate in the municipalities.

32. **Municipalities have a potential key role in the implementation of safety nets** and other social services in the decentralization process, through the registration of households in the CSU and the management and implementation of social assistance programs through the CASIs. Municipalities would be invited to participate in capacity-building on social safety nets supported by the project.

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