

PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

May 26, 2015

Report No.: **97911**

Operation Name	Second Social Protection System DPO (SPS-2)
Region	AFRICA
Country	Republic of Rwanda
Global Practice	Social Protection and Labor
Operation ID	P155024
Lending Instrument	Development Policy Financing
Borrower(s)	Republic of Rwanda
Implementing Agency	Ministry of Finance and Economic Planning (MINECOFIN); Ministry of Local Government (MINALOC)
Date PID Prepared	May 26, 2015
Estimated Date of Appraisal	October 14, 2015
Estimated Date of Board Approval	December 1, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

1. The Government of Rwanda has established social protection as a priority in its ambitious goal to “accelerate poverty reduction to less than 30 percent of the population” and to “reduce extreme poverty to 9 percent” by 2018¹. Sustained economic growth of an average rate of 8 percent per annum for the last 10 years has been used effectively as a driver for substantial reductions in both poverty and inequality. Between 2001 and 2011, the country-defined poverty rate fell from 59 percent to 45 percent, while the extreme poverty rate fell from 40 percent to 24 percent, and the Gini coefficient moved from 0.51 to 0.49.²

2. Even given Rwanda’s impressive achievements in reducing poverty, important challenges remain: with a GNI per capita of US\$644 (2013), Rwanda remains one of the poorest countries in the world, with high levels of vulnerability, notably among children and people living in rural areas. Poverty remains high among households with many children, and child malnutrition continues to affect 44 percent of Rwandan children under 5, a sign of severe limits on the productive capacity of the next generation.³ More than 90 percent of the poor live in rural areas and over 80 percent of Rwandans are employed in agriculture. The poorest Rwandans are agricultural laborers, but household agricultural production (which more than doubled between 2001 and 2011) has been a key driver of poverty reduction. Generally, much work remains to ensure extension of the coverage of SP programs to poor households, to maximize the poverty impact of Rwanda’s social protection programs, and to ensure that opportunities exist for families benefitting from social protection to build pathways out of poverty.⁴

¹ Economic Development and Poverty Reduction Strategy 2013-2018, page 1.

² Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS-2), page 9, table 1.4; Third Integrated household Living Conditions Survey (EICV3) available <http://statistics.gov.rw/images/PDF/Main%20EICV3%20report.pdf>

³ Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS-2); Third Integrated household Living Conditions Survey (EICV3) available <http://statistics.gov.rw/images/PDF/Main%20EICV3%20report.pdf>

⁴ Government of Rwanda and Oxford Policy Management. EICV3 Thematic Report: Social Protection. August 2012.

3. The IMF and World Bank assessments concur that Rwanda's macroeconomic policy framework remains adequate for development policy operations, reflecting Rwanda's effective macroeconomic management. Rwanda's prudent monetary and fiscal policies have enabled the country to achieve high economic growth, poverty reduction and macroeconomic stability in the past decade. In April 2015, the IMF completed its second review under the second policy support instrument (PSI). The review states that "Policy performance under the IMF-supported program was satisfactory"⁵.

II. Proposed Objective(s)

5. This proposed Second Social Protection System (SPS-2) Operation of \$80 million is the second in a programmatic series of three development policy operations (DPOs) whose program development objective (PDO) is to "*support the Government of Rwanda to improve the efficiency, coverage and harmonization of its social protection system.*" This series continues the programmatic approach to strengthening Rwanda's social protection system, building on the foundation established in the last DPO series. The past series supported the establishment of the VUP as the flagship social protection program, moving from piloting to rapid, expanded coverage; helped Rwanda set a vision for its SP system and its management through the development of an MIS plan and initial pilot and a focus on recruiting and training appropriate staff; introduced needed flexibility for disaster responsiveness; and focused on setting up the initial elements of a grievance and redress system.

6. Building on that progress, this series continues the programmatic approach to strengthening Rwanda's social protection system. The pillars and prior actions therein: (i) strengthen the foundation of the SP system in the core areas of harmonization and management to deepen needed reforms, especially in the registry and MIS tools used in the nuts-and-bolts management of the sector and in boosting harmonization across programs to improve efficiency through addressing program overlaps and to boost both efficiency and effectiveness through better mobilizing income generating programs; (ii) introduce a new focus on transparency and accountability, in line with the GoR's emphasis on accountable governance, through reforms in budgetary transparency and citizens' engagement -- areas central to current reforms and policy dialogue; and (iii) focus on the continued expansion of coverage, but with an eye toward *appropriate* coverage given goals for achieving efficient, effective poverty reduction through the various social protection programs, especially concerning women, children and the poorest sectors of the population.

7. This proposed DPO series is fully aligned with the Government of Rwanda's second Economic Development and Poverty Strategy (EDPRS-2 2013-2018) and National Social Protection Strategy (NSPS-2 2013-2018). The policy actions in this DPO series are centered on strengthening the foundations and harmonization of the social protection system, notably second-generation reforms needed to boost harmonization and efficiency, while keeping direct alignment with core national principles and goals. The three pillars in the DPO series are needed to support Rwanda to meet the goals set forward in its core development strategies by 2018 and 2020. Notably, the EDPRS-2 focuses on four thematic priority areas to take the country's development agenda forward: (i) *Economic Transformation* for accelerated economic growth (ii) *Rural Development* to ensure that poverty is reduced from 44.9 percent to below 30 percent by 2018; (iii) *Productivity/Youth* Employment to create at least 200,000 new jobs annually; and (iv)

⁵ <http://www.imf.org/external/np/sec/pr/2015/pr15157.htm>

Accountable Governance. This DPO series is directly aligned with these goals.

8. This operation builds on progress achieved under the past DPO series and in the first DPO in this series, reflecting lessons learned. Notably, the project addresses some areas that need strengthening and introduces reforms appropriate to the maturation of the social protection system, with a focus on efficiency in the tools and programs underpinning the system, harmonization to ensure complementarities across programs, and a continued focus on coverage.

9. The proposed operation is also supportive of the World Bank's twin goals of eliminating extreme poverty and boosting shared prosperity, as well as sectoral and regional strategies. Social protection programs such as Rwanda's help combat extreme poverty through direct transfers that (i) provide income support to the extreme poor and (ii) build capabilities by helping households invest in education, health and nutrition (their own and that of their children) and in productive assets and activity. Social protection enables shared prosperity by cushioning against the impacts of shocks and by providing the security needed to help people take productive risks. The proposed DPO series is also aligned with the World Bank's Africa Strategy⁶ (supporting its second pillar on vulnerability and resilience) and the global⁷ and Africa Social Protection Strategies.

III. Preliminary Description

10. This proposed operation is grounded in three pillars, each supportive of priority policy reforms needed to reach Rwanda's ambitious goals: harmonization and management of the social protection system; transparency and accountability; and expanding coverage of poor and vulnerable populations.

11. The objectives of the reforms in Pillar 1--Harmonization and Management are: (i) Improved *Ubudehe* system and database for identifying and registering poor and vulnerable households; (ii) Improved MIS, including the creation of a registry of SP program eligible and actual beneficiaries with links between the registry and the national ID database; and (iii) Increased harmonization across social protection programs. The policy reforms in Pillar 1 are expected to contribute to an improved, more efficient *Ubudehe* system and database for identifying and registering poor and vulnerable households. In addition, an improved MIS would be set up, including the creation of a registry of SP program eligible and actual beneficiaries with links between the registry and the national ID database, supporting more effective and efficient SP program and system management. Increased harmonization across social protection programs will take place, with improvement in efficiencies by reducing overlap between programs and ensuring better coordination across income generating programs. Finally, the reforms will result in stronger, clearer support for improving income generation and livelihoods among the poorest.

12. The objectives of the reform in Pillar 2--Transparency and Accountability are: (i) Emphasis on transparency and accountability through SP budget reporting; and (ii) Strengthened citizens' engagement. It is anticipated that these policy actions will bring about a greater emphasis on transparency and accountability through SP budget reporting. This is an important foundation for the consolidation of the social protection sector and a useful input for managing effectively the range of programs with clear information available to government actors,

⁶ World Bank. March 2011. Africa's Future and the World Bank's Support to It. Washington DC: World Bank.

⁷ World Bank. 2012. Resilience, Equity and Opportunity: the World Bank's 2012-2022 Social Protection and Labor Strategy.

development partners and citizens on budget flows and execution. In line with Rwanda's emphasis on accountable governance and support of decentralized service delivery, this pillar will also enhance and strengthen the engagement of citizens and their input into improvement of the service delivery and accountability at the various levels of government.

13. The objectives of the reform in Pillar 3—Expanding Appropriate Coverage are: (i) Expanded appropriate coverage of VUP; and (ii) Improved gender and child sensitivity of SP programs to promote child development. The series of prior actions and triggers for this pillar would ensure an expanded coverage of VUP, in line with national goals and with an eye toward needed reforms to enhance the labor intensity and therefore efficiency of public works. This pillar will also support efforts for improving the gender and child sensitivity of SP programs in order to promote child development.

IV. Poverty and Social Impacts and Environment Aspects

14. The proposed policy reforms are expected to contribute to the overall objectives of the EDPRS-2, NSPS-2 and Vision 2020 to reduce poverty and vulnerability. They will do so by supporting the government's effort to build an SP system that will allow delivery of transfers to the extremely poor segments of its population in an effective, predictable, and sustainable manner while contributing to equitable growth and a reduction in extreme poverty.

15. The policy measures in this proposed program will improve the living standards of the poor (a) *directly* through reforms to SP programs and systems, including expansion of coverage and enhanced efficiency through the harmonization of SP interventions in the country, and (b) *indirectly* by strengthening the policy development and management capacity of the SP sector and introducing key administrative building blocks of an effective SP system.

16. Gender equality remains a key priority of the Government's EDPRS-2 growth agenda, where family and gender are identified as a key cross-cutting priority.⁸ In SP programming, this objective is reinforced through existing and upcoming design features and is illustrated by the priority given to gender participation in VUP to date. VUP monitors the inclusion of women under its beneficiaries and as data shows, have over time reported high levels of female participation (see table 8 below) across all the VUP components. Female participation in Direct Support, Public Works and Financial Services was 66 percent, 49 percent and 50 percent, respectively, in FY2012/13, consistent but trending upwards compared to previous years. Additionally, the VUP has recently completed a Gender Assessment to explore opportunities to introduce new program design features that will support the uptake of women, in particular pregnant women and lactating mothers as well as those with young children.

17. The proposed policy reforms are expected to contribute to the EDPRS2 by bringing some of the poorest households to graduation from extreme poverty, enabling them through income-generating reforms and investments in child development for longer-term poverty alleviation. First, better linking social protection beneficiaries endowed with labor capacity to income generating support will further strengthen their livelihoods. Second, both social protection and early childhood development measures aim to focus the attention on some of the most vulnerable members of society for their sustainable graduation out of poverty. This DPO will assist in improving coverage of gender and child sensitive SP programs to promote child development.

18. The specific policies supported by the SPS series are not expected to have negative

⁸ The Second Economic Development and Poverty Reduction Strategy, July 2013, page 85-86.

effects on Rwanda's environment, forests, water resources, habitats or other natural resources. The risk of unanticipated adverse effects to the environment and natural resources is modest. Rwanda has in place adequate environmental controls and legislation under the mandate of Rwanda Environment Management Authority (REMA), providing support to line-ministries including MINALOC in incorporating environmental guidelines in the operational manual for its VUP public works program. Also, the Bank is supporting REMA with technical assistance to take account of climate risks and opportunities and with land policy technical assistance to review sustainable land management practices.

V. Tentative financing

International Development Association (IDA)

US\$ 80 million

VI. Contact point

World Bank

Contact: Laura B. Rawlings

Title: Lead Social Protection Specialist

Tel: (202) 473-1274

Email: Lrawlings@worldbank.org

Borrower

Contact: Ronald Nkusi

Title: Director, External Finance Unit, Ministry of Finance and Economic Planning

Tel: 250-252596130

Email: Ronald.nkusi@minecofin.gov.rw

VII. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>