

**PROGRAM INFORMATION DOCUMENT (PID)**  
**APPRAISAL STAGE**

November 6, 2014  
Report No.: 92942

<b>Operation Name</b>	Social Protection System (SPS)
<b>Region</b>	AFRICA
<b>Country</b>	Rwanda
<b>Sector</b>	Other social services (100%)
<b>Operation ID</b>	P151279
<b>Lending Instrument</b>	Development Policy Financing
<b>Borrower(s)</b>	Republic of Rwanda
<b>Implementing Agency</b>	Ministry of Local Government (MINALOC)
<b>Date PID Prepared</b>	November 6, 2014
<b>Estimated Date of Appraisal</b>	December 2, 2014
<b>Estimated Date of Board Approval</b>	January 22, 2015
<b>Corporate Review Decision</b>	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

## I. Country and Sector Background

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 2018<sup>1</sup>.** 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.<sup>2</sup>

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.<sup>3</sup> 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 social protection (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

<sup>1</sup> Economic Development and Poverty Reduction Strategy 2013-2018, page 1.

<sup>2</sup> 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>

<sup>3</sup> 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>

out of poverty.<sup>4</sup>

3. **In the past 5 years, with World Bank support under the past DPO series and collaboration from development partners, Rwanda has established the foundation of a social protection system that is increasingly institutionally mature, central to poverty reduction approaches, and is reaching a growing number of poor and vulnerable families.** With donor support, Rwanda has moved from a series of ad-hoc programs focused mainly on addressing the needs of post-genocide reintegration to building the foundations of a harmonized social protection system.<sup>5</sup> The flagship *Vision 2020 Umurenge Program* (VUP) has been rapidly expanded beyond initial projections and now reaches close to a million vulnerable people, up from a few thousand in its inception in 2008-9. The four main safety net programs have moved from being uncoordinated to being increasingly harmonized, with growing attention to complementarities and lack of duplication. The social protection sector is establishing a set of sub-systems to support the effective delivery of services, including: geographical and household poverty targeting, a nascent appeals and complaints mechanism, a management information system for monitoring implementation, and links with disaster response. Ongoing analytical work points to VUP contributions to poverty reduction and asset creation, but also reveals areas of needed reform.

4. **Today, under the time frame of this DPO series, Rwanda is looking not only to reach its goal of national coverage of the VUP program, but to move to a set of second generation reforms, notably to improve efficiency and strengthen prospects for graduation from poverty and social assistance.** Rwanda is emphasizing graduation from poverty and social assistance in its policy dialogue and development partners are actively engaged in helping the country focus on graduation, including by supporting productive investments in the human capital of the young and helping poor households with available labor capacity to generate higher incomes. Additionally, Rwanda is focused on a set of second generation reforms in social protection, building on past lessons and experience. This set of second generation reforms are focused on strengthening specific areas of program design and delivery, notably in poverty targeting, transparency and accountability, the labor-intensity of public works and the quality of the *Ubudehe* and social protection MIS systems. These reforms are supported by this DPO series and will help Rwanda ensure that the social protection system is well aligned with meeting national goals for inclusion and poverty reduction.

## II. Operation Objectives

5. **This proposed Social Protection System DPO series' program development objective (PDO) is to "support the Government of Rwanda to improve the efficiency, accountability and coverage of its social protection system."** Building on the previous DPO series, and as a key component of the recently-approved Country Partnership Strategy, this proposed programmatic work will help the Government of Rwanda stay on course for reaching its ambitious poverty reduction goals, while addressing a set of second-generation reforms critical to strengthening Rwanda's social protection system. This operational series will focus on three main areas: improving the efficiency of Rwanda's social protection system, strengthening accountability and transparency, and expanding coverage.

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

<sup>5</sup> The four main social protection programs are the Vision 2020 Umurenge Program, the Genocide Survivors' Fund (FARG), the Rwanda Demobilization and Reintegration Program (RDRP) and the MINALOC Decentralized Funding Program.

6. **Pillar 1 (Efficiency of the SP System)** will improve the administrative efficiency of the social protection system and help generate value for money through: (i) Reformed *Ubudehe* system and database for identifying and registering poor and vulnerable households to improve inter-operability across SP and other poverty-targeted program databases; (ii) Improved MIS, including the creation of a registry of SP program eligible and actual beneficiaries; and (iii) Increased harmonization across social protection programs, addressing duplication of benefits in the main SP programs and ensuring rationalization in the use of income-generating programs to support graduation from poverty and social assistance. The policy reforms are expected to contribute to an improved, more efficient *Ubudehe* system and database for identifying and registering poor and vulnerable households. This will benefit not only management across social protection programs, but will also improve the management of the wide range of poverty-targeted social programs using *Ubudehe*. 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 – a key input for Rwanda’s policy focus on graduation.

7. **Pillar 2 (Accountability and Transparency)** focus areas of the reforms are: (i) Emphasis on transparency and accountability through SP budget reporting and discussion; and (ii) Strengthened citizens' engagement. As stated in the Country Partnership Strategy (CPS) for Rwanda, there is an acknowledged need for further political decentralization, in particular intensifying citizen participation, expanding the role of civil society organizations, and encouraging fiduciary accountability. It is anticipated that these policy actions will bring about a greater emphasis on accountability and transparency 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 SP programs, making clear information available to government actors, development partners and citizens on budget flows and execution. In line with the CPS and 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.

8. **Pillar 3 (Coverage of Poor and Vulnerable)** objectives of the reform are to ensure that Rwanda’s social protection coverage not only expands in line with national targets but that policy reforms ensure that responds to Rwanda’s policy goals and needs of the beneficiary population. Coverage would ensure that it is well-targeted to poor areas households, given needed improvements in poverty targeting; more gender and child-sensitive, with a push for building a stronger link between SP and early childhood development (ECD) as is envisaged in key policy directives aimed at addressing the severe child development deficit in Rwanda, including the 44% rate of under 5 malnutrition; and more labor-intensive in public works, an area of needed reform to ensure the efficiency of social protection spending with respect to its short-term safety net objectives poor households. The specific policy reforms to be supported under Pillar 3 are: (i) Expanded coverage of VUP in line with Vision 2020 targets; and (ii) Improved design of VUP with respect to testing improvements in poverty targeting and introducing 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 poverty targeting of a range of social sector programs, as well as the labor intensity 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, in line with national goals

### **III. Rationale for Bank Involvement**

9. **This proposed programmatic work will help the Government of Rwanda stay on course for reaching its ambitious poverty reduction goals and is fully aligned** with the Rwanda Country Partnership Strategy, the Government of Rwanda's second Economic Development and Poverty Reduction Strategy (EDPRS-2 2013-2018) and National Social Protection Strategy (NSPS-2 2013-2018).

10. **This operation incorporates lessons learned from past engagement in the social protection sector and positions the sector to reach its well-articulated goals in poverty and social protection. Notably, the project addresses some areas that need strengthening and introduces second generation reforms, focusing on increased efficiency and value for money, strengthened accountability and transparency, and expanded coverage.** Specifically, this DPO series: (i) strengthens tools to improve the management and service delivery of social protection programs, notably the social protection MIS and the *Ubudehe* household registry classification system which is used by a range of agencies; (ii) improves the harmonization and efficiency of programs within the social protection system, notably the two largest programs -- VUP and FARG -- by ensuring that there will be no overlap in direct support benefits; (iii) responds to the strong focus in Rwanda on enhancing productivity by focusing on harmonizing and strengthening income-generation programs targeted to poor households; (iv) introduces new accountability and transparency elements, in line with the Government of Rwanda's and CPS accountable governance focus and in coordination with the increased devolution of responsibilities to local government entities; and (v) supports reforms in the area of child-sensitive social protection which are central to Government of Rwanda policy commitments in both social protection and early childhood development, with an eye toward longer-term graduation from poverty and social assistance. Though not included as direct policy actions, the program also supports ongoing efforts aimed at strengthening the labor intensity of public works and the institutionalizing the analysis of the poverty impacts of the VUP program as part of the EICV household survey work.

11. **The proposed operation is 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 Strategy<sup>6</sup> (supporting its second pillar on vulnerability and resilience) and the global<sup>7</sup> and Africa Social Protection Strategies.

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

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

12. **The IMF and World Bank assessments concur that Rwanda’s macroeconomic policy framework is adequate for development policy operations, reflecting Rwanda’s effective macroeconomic management.** Rwanda’s prudent macroeconomic policy has enabled the country to achieve high economic growth, poverty reduction and macroeconomic stability in the past decade. Rwanda’s effective economic management was underscored by the authorities’ quick and adequate fiscal and monetary response to the short-term aid shortfall which occurred in mid-2012 and into early 2013.<sup>8</sup> Rwanda successfully completed all seven reviews under the policy support instrument (PSI) between 2011 and 2013. The seventh review states that “implementation of macroeconomic policies was generally strong. The policy response to the global economic crisis, as well as the aid shock during FY2012/13 was appropriate”.<sup>9</sup> Furthermore, the IMF press release notes that “the Rwandan authorities are to be commended for the strong implementation of their economic program under the Policy Support Instrument. Prudent and inclusive policies, good governance, and support from development partners have contributed to sustained economic growth and poverty reduction”.<sup>10</sup> Rwanda’s prudent macroeconomic management continues in 2014. The first review of the successor PSI in May 2014 concludes that “program performance under the new PSI has been strong”.

13. **The choice of a Development Policy Operation (DPO) as a lending instrument is in line with core Government of Rwanda policy reforms and provides continuity to the programmatic policy reforms supported under the previous DPO series.** The proposed plan is based on a clear set of reforms for a 3 year program that will help propel Rwanda toward the year 2018 goals in the EDRPS-2. It builds on past achievements and lessons learned to support policy and administrative reforms that will help the sector move forward as the SP system is being increasingly consolidated, in line with the National Social Protection Policy and accompanying implementation plan. Finally, this instrument responds to client preference and is consistent with Rwanda’s strong macro-fiscal framework.

14. **The policy reforms supported by this DPO series are complemented by two important complements that will help ensure that results are achieved:** a robust program of technical assistance and support being provided by development partners, notably DfID, UNICEF and the EU; and benefits from having a cohesive, well-functioning government-development partner Sector Working Group.

#### IV. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	70
Total	70

<sup>8</sup> The aid shortfall following the publication of a UN report alleging Rwanda’s involvement in the Democratic Republic of Congo (DRC) in July 2012 created a fiscal gap amounting US\$230 million (equivalent to 3% of GDP) in the first half of FY2012/13, although more than half US\$140 million was disbursed in the second half.

<sup>9</sup> Box 1 on page.5 in “Seventh Review under the Policy Support Instrument, Request for a Three-Year Policy Support Instrument and Cancellation of Current Policy Support Instrument” to be discussed at the IMF Board Meeting on December 2, 2013.

<sup>10</sup> Press Release No. 13/483

## **V. Institutional and Implementation Arrangements**

15. **The Recipient of the SPS-1 is the Republic of Rwanda, represented by Ministry of Finance and Economic Planning (MINECOFIN).** A single-tranche development policy credit equivalent to US\$70 million equivalent would be made available following approval and notification by IDA of financing effectiveness. The proposed financing will follow the Bank's disbursement procedures for development policy operations. The financing proceeds will be disbursed against satisfactory implementation of the development policy program and the maintenance of a satisfactory macroeconomic framework.

16. **The Social Protection sector is led by the Ministry of Local Development (MINALOC) whose mandate includes setting policy and managing the main social assistance programs in Rwanda. The flagship Vision Umurenge Program (VUP) is the cornerstone for an increasingly consolidated social protection sector.** Established in 2008, its goal is the elimination of extreme poverty by 2020. The VUP is implemented by the Local Development Agency (LODA), a semi-autonomous agency under MINALOC, with a mandate to coordinate implementation of local government support activities in economic development and social protection. The VUP is composed of four components namely: (i) labor-intensive public works (PW) that provide support to extremely poor families with under-employed adults through creation of employment opportunities, encouraging saving and development of productive activities; (ii) direct support (DS) to the poorest households unable to supply labor; (iii) financial services (FS) to facilitate investment in income-generation and entrepreneurial activities; and (iv) sensitization and skills development. The VUP is implemented through decentralized administrative structures (districts and geographical sectors) with strong community participation at the sector level while districts provide oversight, technical support, and supervision.

17. **The Social Protection Sector Working Group (SWG) provides a functional mechanism through which SP policy and implementation issues are monitored and discussed between the government and active donors in the sector.** SWG monitoring is enshrined in the six monthly Joint Sector Reviews (JSR) that assess sector performance on policy, outputs and outcomes and make recommendations for the next six months. The main program, the VUP, is also closely monitored through a division within LODA that is primarily focused on M&E. Both LODA and other programs are the main providers of monitoring and evaluation information for the SWG JSR evaluations.

18. **Monitoring and evaluation data are regularly collected.** A social protection results and policy framework includes selected results indicators that are closely monitored and feed into the overall results framework and assessment of NSPS-2 and EDPRS-2 progress. As part of the Government of Rwanda's commitment to results-based policy, an impact evaluation of the flagship VUP was concluded in 2014 and regular household surveys of living conditions are conducted every three years. Every three years, the National Statistical Institute of Rwanda (NISIR) implements a nationally representative Integrated Household Living Conditions Survey (EICV).

## **VI. Risks and Risk Mitigation**

19. **The overall risk of the program is Moderate.** However, there are important risks to program outcomes, notably: (i) vulnerability to weakening of the external economic environment; (ii) dependence on external foreign assistance that can affect implementation of the NSPS, including the scale-up plans of VUP (iii) the challenge of intergovernmental coordination

between agencies under the Ministry of Local Government (MINALOC) and between MINALOC and other agencies. There are also a number of program-specific risks, including: (a) the country's limited institutional capacity and experience implementing social protection interventions; (b) an absence of clear results or mixed results regarding the performance of several social protection programs; and (c) the need for improved program targeting and basic service delivery

## VII. Poverty and Social Impacts and Environment Aspects

20. **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.

21. **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.

22. **The recently completed impact evaluation of the VUP program and initial results from the Rwanda Poverty Assessment provide evidence of SP's contribution to reducing poverty and boosting human capital.** The impact evaluation revealed that VUP is generally well received by the population with over 80% of the respondents in the program area agreeing that VUP is well managed and structured. It also revealed that 70% of the beneficiaries are correctly targeted according to their self-reported *Ubudehe* status and that VUP has improved food consumption, school attendance and enrollment in health insurance. Regarding assets, VUP beneficiary households are more likely to invest in livestock, farm equipment, crop inputs, and housing. Detailed information on livestock accumulation shows increase in livestock holdings for both DS and PW, although effects are stronger for DS and households no longer benefiting from VUP seem to lose their accumulated livestock in the face of shocks. Although at the time of the EICV the coverage of VUP was not large enough to permit a representative sample to be selected and allow for an analysis of impacts, results from the qualitative assessment point to households' views that social protection support, in particular through VUP, had a positive impact on improving household living conditions. Participants in lower *Ubudehe* categories felt the program provided a key source of employment for youth, who have been employed in terracing program and road construction through public works. It has also provided an income source for the vulnerable and elderly, particularly through Direct Support grants.

23. **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.**<sup>11</sup> 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 across all the VUP components. UNICEF is supporting work to improve the gender-sensitivity and child-sensitivity of the labor-intensive public works programs

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<sup>11</sup> The Second Economic Development and Poverty Reduction Strategy, July 2013, page 85-86.

and is collaborating with the World Bank in examining how to strengthen social protection support to early childhood development, as supported in Pillar 3.<sup>12</sup>

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

### **VIII. Contact point**

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