

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

May 23, 2016  
Report No.: 106801

<b>Operation Name</b>	Third Social Protection System DPO (SPS-3)
<b>Region</b>	AFRICA
<b>Country</b>	Rwanda
<b>Sector</b>	Other social services (100%)
<b>Operation ID</b>	P158698
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	Republic of Rwanda
<b>Implementing Agency</b>	Ministry of Local Government (MINALOC)
<b>Date PID Prepared</b>	May 23, 2016
<b>Estimated Date of Appraisal</b>	September 12, 2016
<b>Estimated Date of Board Approval</b>	October 27, 2016
<b>Corporate Review Decision</b>	

**I. Country and Sector Background**

1. This proposed DPO series is fully aligned with 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). The policy actions in this DPO series are centered on strengthening the foundations of the social protection system, with an emphasis on second-generation reforms needed to boost 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) *Accountable Governance*. This DPO series is directly aligned with these goals.

2. This operation incorporates lessons learned from past engagement in the social protection sector. The project addresses 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 –Vision Umurenge Program (VUP) and the Genocide Survivors Assistance Fund (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 the World Bank Rwanda Country Partnership Strategy's 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's 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 flagship Vision Umurenge Program (VUP) as part of the national household survey work.

3. 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>1</sup> (supporting its second pillar on vulnerability and resilience) and the global<sup>2</sup> and Africa Social Protection Strategies.

## II. Operation Objectives

4. The 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.*" The proposed third and final operation in this series is grounded in three pillars, each supportive of priority policy reforms needed to reach Rwanda's ambitious goals: efficiency of the social protection system; accountability and transparency; and coverage of poor and vulnerable populations.

5. **Pillar 1 (Efficiency of the Social Protection 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

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<sup>1</sup> World Bank. March 2011. Africa's Future and the World Bank's Support to It. Washington DC: World Bank.

<sup>2</sup> World Bank. 2012. Resilience, Equity and Opportunity: the World Bank's 2012-2022 Social Protection and Labor Strategy.

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.

6. **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.

7. **Pillar 3 (Coverage of Poor and Vulnerable)** objectives of the reforms are to ensure that Rwanda’s social protection coverage not only expands in line with national targets but that the expanded coverage is appropriate to the needs of the beneficiary population of poor and vulnerable households. The focus on the poor and vulnerable implies that coverage is: well-targeted to poor areas and 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); 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; (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; and (iii) Expanded policy role for social protection in early childhood development.

### **III. 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 2018<sup>3</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. Poverty decreased from 59 percent in 2001 to 45 percent in 2011, while extreme poverty fell from 40 percent to 24 percent. Data from the most recent survey, implemented in 2013/14, show a further reduction in poverty to 39 percent and in

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<sup>3</sup> Economic Development and Poverty Reduction Strategy 2013-2018, page 1.

extreme poverty to 16 percent, although due to methodological changes these new numbers cannot be directly compared with the previous ones.<sup>4</sup>

2. Even given Rwanda’s impressive achievements in reducing poverty, important challenges remain: with a GDP per capita of US\$718 (2015), 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 38 percent of Rwandan children under five, a sign of severe limits on the productive capacity of the next generation.<sup>5</sup> More than 90 percent of the poor live in rural areas and over 70 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.<sup>6</sup>

3. 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>7</sup> Rwanda’s prudent macroeconomic management continues in 2015. Rwanda successfully completed all reviews under the policy support instrument (PSI) between 2011 and 2015. The IMF press release from the most recent PSI review of May 2015 notes that “Rwanda’s performance under the PSI has been satisfactory. The authorities are to be commended for meeting all quantitative assessment criteria.” It concludes by stating “the current monetary policy stance remains appropriate. The economy has been operating in a low inflationary environment, an ample liquidity banking system, and ample credit to the private sector.”<sup>8</sup>

#### IV. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	95
Total	95

#### V. Institutional and Implementation Arrangements

<sup>4</sup> Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS-2), page 9, Table 1.4; Fourth Integrated household Living Conditions Survey (EICV4) available <http://www.statistics.gov.rw/publications/rwanda-poverty-profile-report-results-eicv-4>

<sup>5</sup> Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS-2); Fourth Integrated household Living Conditions; Survey (EICV4) available <http://www.statistics.gov.rw/publications/rwanda-poverty-profile-report-results-eicv-4>; Demographic and Health Survey (DHS) of 2015 using the stunting rate as the rate of malnutrition.

<sup>6</sup> Government of Rwanda and Oxford Policy Management.

<sup>7</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>8</sup> Press release No. 15/245, International Monetary Fund, May 29,2015.

8. The Recipient of the SPS-3 is the Republic of Rwanda, represented by Ministry of Finance and Economic Planning (MINECOFIN). A single-tranche development policy credit of US\$95 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.

9. The SPS results and policy framework includes selected results indicators that are closely monitored and will feed into the overall results framework and assessment of NSPS-2 and EDPRS-2 progress. The Social Protection Sector Working Group is the overarching framework and 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 social assistance program, the VUP, is also closely monitored through a division within the Local Development Agency (LODA) that is primarily focused on M&E. Both LODA and other programs are the main providers of monitoring and evaluation information for the Sector Working Group JSR evaluations.

10. As part of the Government of Rwanda's commitment to results-based policy, an impact evaluation of VUP was conducted and regular household surveys of living conditions are conducted every three years. Every three years, the National Statistical Institute of Rwanda (NISR) implements a nationally representative Integrated Household Living Conditions Survey (EICV). For the first time, the EICV4 has collected an oversample of VUP beneficiaries to assess more closely the performance of the VUP.

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

11. 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.

## **VII. Poverty and Social Impacts and Environment Aspects**

12. 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.

13. Several of 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 enhancement of harmonization of SP interventions in the country and establishment of operational links between SP and early warning systems to protect poor and vulnerable citizens at time of a disaster or through preventive measures to mitigate negative impact of such disaster, and (b) *indirectly* by strengthening the policy development and management capacity of the SP Sector and introducing a key building blocks of an effective SP

system through an integrated management information systems (MIS) for the main SP programs.

14. The recently completed impact evaluation of the VUP program and 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.

15. Gender equality remains a key priority of the Government's EDPRS-2 growth agenda, where family and gender is identified as a key cross-cutting priority.<sup>9</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 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>10</sup>

16. The proposed policy reforms are expected to contribute to the EDPRS2 by enabling some of the poorest households to graduate from extreme poverty, enabled by 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, to promote sustainable graduation out of poverty, there is a need to invest in human capital. Both social protection and early childhood development aim to promote the development of some of the most vulnerable members of society. This DPO will assist in improving coverage of gender and child sensitive SP programs to promote child development.

17. 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

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<sup>9</sup> The Second Economic Development and Poverty Reduction Strategy, July 2013, page 85-86.

<sup>10</sup> Please see

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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