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INTERNATIONAL DEVELOPMENT ASSOCIATION  
PROGRAM DOCUMENT FOR A PROPOSED  
DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF SDR 68.2 MILLION (US\$95 MILLION EQUIVALENT)

TO

THE REPUBLIC OF RWANDA

FOR THE

THIRD SOCIAL PROTECTION SYSTEM (SPS-3)

October 3, 2016

Social Protection and Labor Global Practice  
Africa Region

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## THE REPUBLIC OF RWANDA

FISCAL YEAR

July 1 – June 30

### CURRENCY EQUIVALENTS

(Exchange Rate Effective as of August 31, 2016)

Currency Unit is Rwandan Franc (RWF)

US\$1 = RWF 0.00127959

US\$1 = SDR 0.71718519

### ABBREVIATIONS AND ACRONYMS

ACHM	Appeals Complaints Mechanisms
AfDB	African Development Bank
BNR	<i>Banque Nationale du Rwanda</i> (National Bank of Rwanda)
CCSA	Cross Cutting Solutions Area
CID	Criminal Investigation Department
COFOG	Classification of the Functions of Government
CPI	Consumer Price Index
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
DfID	Department for International Development (UK)
DHS	Demographic and Health Survey
DoL	Division of Labor
DPO	Development Policy Operation
DS	Direct Supports
DSA	Debt Sustainability Analysis
EAC	East African Community
EC	European Commission
ECD	Early Childhood Development
EDPRS	Economic Development and Poverty Reduction Strategy
EIA	Environmental Impact Assessment
EICV	Integrated Household Living Conditions Survey
EU	European Union
FARG	Genocide Survivors Assistance Fund
FDI	Foreign Direct Investment
FS	Financial Services
FY	Fiscal Year
GFSM	Government Financial Statistics Manual
GNI	Gross National Income
GoR	Government of Rwanda
IDA	International Development Association
ICR	Implementation Completion and Results Report
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
IMF	International Monetary Fund
ITN	International Training Network
JSAN	Joint staff Advisory Note
JSR	Joint Sector Review

LIC	Low-income Country
LODA	Local Administrative Entities Development Agency
LWH	Land Husbandry, Water Harvesting, and Hillside Irrigation
M&E	Monitoring and Evaluation
MIGEPROF	Ministry of Gender and Family Planning
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MIS	Management Information System
MOV	Maintenance of Value
NCPP	National Council of Persons with Disabilities
NGO	Non-governmental Organization
NID	National Identification Card
NIDA	National Identification Agency
NIN	National Identification Number
NISR	National Institute of Statistics of Rwanda
NSPR	National Social Protection Registry
NSPS	National Social Protection Strategy
NSPS-2	Updated National Social Protection Strategy
OM	Ombudsman
PDO	Program Development Objective
PEFA	Public Expenditure Framework Assessment
PFM	Public Financial Management
PFMRS	Public Financial Management Reform Strategy
PPG	Public and Publicly Guaranteed
PSI	Policy Support Instrument
PW	Public Works
REER	Real Effective Exchange Rate
RDRC	Rwanda Demobilization and Reintegration Commission
RDRP	Rwanda Demobilization and Reintegration Program
REMA	Rwanda Environment Management Authority
SACCO	Savings and Credit Co-operative
SIDA	Swedish International Development Agency
SP	Social Protection
iSP-MIS	Integrated Social Protection Sector MIS
SPS	Social Protection System
SPTA	Strategic Plan for the Transformation of Agriculture
SPWG	Social Protection Working Group
SSN	Social Safety Net
SORT	System Operations Risk Rating Tool
SSPS	Support to Social Protection System
SWAp	Sector Wide Approach
SWG	Sector Working Group
UN	United Nations
UNICEF	United Nations Children's Fund
VUP	Vision 2020 <i>Umurenge</i> Program
WDI	World Development Indicator

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**REPUBLIC OF RWANDA**  
**THIRD SOCIAL PROTECTION SYSTEM (SPS-3) DPO**

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**SUMMARY OF PROPOSED CREDIT AND PROGRAM**  
**THE REPUBLIC OF RWANDA**  
**THIRD SOCIAL PROTECTION SYSTEM OPERATION (SPS-3)**

Borrower	The Republic of Rwanda
Implementation Agency	Ministry of Finance and Economic Planning (MINECOFIN), Ministry of Local Government (MINALOC)
Financing Data	SDR 68.2 million (US\$95 million equivalent) on IDA Credit terms (38 year maturity and 6 year grace period)
Operation Type	Programmatic development policy financing (third in a series of three operations); single tranche.
Pillars of the Operation And Program Development Objective(s)	<p>The Program Development Objective (PDO) for this DPO series is to “support the Government of Rwanda to improve the efficiency, accountability and coverage of its social protection system.”</p> <p>The pillars of support are: (i) efficiency of the social protection system; (ii) accountability and transparency; and (iii) coverage of poor and vulnerable.</p> <p>Policies supported by the proposed SPS-3 are fully aligned with the revised National Social Protection Strategy (NSPS-2 2013-2018) and the Second Economic Development and Poverty Reduction Strategy (EDPRS-2 2013-2018), which place social protection as a centerpiece in achieving Rwanda’s ambitious objectives to reduce poverty and strengthen resilience.</p>
Results Indicators	<p>(i) % of individuals over 16 years old in the <i>Ubudehe</i> database matched to a national ID [<i>baseline: 25%; end-target: 60%</i>]</p> <p>(ii) Number of core SP programs linked to the iSP-MIS [<i>baseline 0; end-target: 2</i>]</p> <p>(iii) % of targeted local government staff trained on SP program eligibility [<i>baseline: 0; end-target: 70%</i>]</p> <p>(iv) % of districts reviewing SP budget during accountability day events (per year) [<i>baseline 0; end-target: 60%</i>]</p> <p>(v) % of primary appeals that have been resolved at first instance at sector levels within two weeks in VUP sectors [<i>baseline 80%; end-target: &gt;80%</i>]</p> <p>(vi) % of geographical sectors covered by VUP in the poorest 30% of districts for (a) direct support; and (b) public works [(a) <i>DS baseline: 54%; end-target: 95%; (b) PW baseline: 42%; end-target: 80%</i>]</p> <p>(vii) VUP coverage of geographical sectors and households for (a) direct support and (b) public works [<i>DS (i) Sectors – baseline: 180 sectors; end-target: 395 sectors; (ii) households – baseline: 43,671 households; % Female Headed Households (FHH): 66%; end-target: 96,000 households; FHH: 66%; PW (i) Sectors – baseline: 150 sectors; end-target: 240 sectors; (ii) households – baseline: 89,011 households; % FHH: 46%; end-target: 130,000 households: % FHH: 48%</i>]</p> <p>Please see Annex 1 for a table outlining the policy matrix and related results</p>
Overall risk rating	Moderate
Climate and disaster risks	None
Operation ID	P158698

# IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT TO THE REPUBLIC OF RWANDA

## 1. INTRODUCTION AND COUNTRY CONTEXT (INCLUDING POVERTY DEVELOPMENTS)

1. **This proposed Social Protection System (SPS-3) operation of SDR 68.2 million (US\$ 95 million equivalent) is the third in a series of three development policy operations (DPOs) whose objective 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 Country Partnership Strategy (FY2014-18), this proposed credit will help the Government of Rwanda to stay on course for reaching its ambitious poverty reduction goals, while addressing a set of second-generation reforms critical to strengthening the foundation of Rwanda’s social protection system. This operational series focuses on three main areas: improving the efficiency of Rwanda’s social protection system, strengthening accountability and transparency, and expanding social protection (SP) coverage among poor and vulnerable populations.

2. **The Government of Rwanda has established social protection as a priority in its ambitious poverty reduction goals.** 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 extreme poverty to 16 percent, although due to methodological changes these new numbers cannot be directly compared with the previous ones.<sup>1</sup>

3. **Despite 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>2</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>3</sup>

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<sup>1</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>2</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>3</sup> Government of Rwanda and Oxford Policy Management.

4. **Evidence from countries with well-established safety net programs reveals that effective and properly targeted social safety nets play a powerful role in combating poverty and inequality.** For example, in Ethiopia, the national safety net program helped cut the poverty rate by six percentage points, in Kenya, a food for work program helped raise agricultural productivity by 52 percent and in Brazil, the large safety net program, *Bolsa Familia*, reaches close to 25 percent of the population and has contributed to dramatic reductions of poverty and inequality. Rwanda is looking to achieve similar gains. With the support of this DPO series, Rwanda is expanding and deepening safety nets and moving toward a more efficient safety net system. This program can help Rwanda to move to the next stage of social protection system development, as other countries have done in similar long-term initiatives, and so make a measurable dent in national poverty rates.

5. **Rwanda is among global leaders in building an integrated social protection system in a low-income environment that is closely tied to national goals of poverty reduction.** Rwanda has emphasized the importance of building effective social protection systems to boost resilience to shocks, ensure equity for the poor and strengthen opportunity through increased human capital development and access to productive employment.<sup>4</sup>

6. **At the heart of Rwanda's efforts to establish a social protection system was design of the flagship *Vision 2020 Umurenge Program (VUP)* in 2008,** an effort that received strong technical and financial support from the World Bank and other development partners.

7. **The World Bank has partnered with Rwanda in establishing a strong foundation for social protection through three series of three Development Policy Operations each, beginning in 2009, with the proposed SPS-3 operation as the third operation in the third series** (see Annex 4 for details):

- Under the **first DPO series** (2009-2011), Rwanda was able to pilot and launch the flagship VUP, drawing on international best practice with respect to policy and program design. Coverage of the nascent public works program expanded from 30 to 90 geographical sectors (out of a national total of 416 sectors, located in 30 districts), coverage expanded from 25,000 to 176,000 households, and both direct support cash transfers for destitute households and financial services microcredit loans were introduced. The National Social Protection Strategy (NSPS) was launched in 2011.
- Under the **second DPO series** (2012-2014), the VUP was rapidly expanded from 90 to 240 geographical sectors and coverage expanded from 176,000 to 218,000 households – almost a million poor and vulnerable people (see Table 4). In addition, under the updated national social protection strategy (NSPS-2, 2013), Rwanda began to build the foundations of a harmonized social protection system.<sup>5</sup> The four main safety net programs moved from being uncoordinated to initial stages of harmonization, with growing attention to lack of duplication. The social protection sector established a set of sub-systems to support the effective delivery of services, including: geographical and household poverty targeting, a nascent appeals and complaints mechanism, an initial version of a management information system for monitoring implementation of the VUP, and links with disaster response.

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<sup>4</sup> World Bank. July 2012. Africa Social Protection Strategy 2012-22; Managing Risk, Promoting Growth: Developing Systems for Social Protection in Africa.

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

Ongoing analytical work points to VUP contributions to poverty reduction and asset creation, but also reveals areas needing reform.

- The current **third DPO series** (2016-2017), is helping Rwanda reach its goal of national social protection coverage and will deepen social protection reforms through three areas of focus: improving efficiency; strengthening accountability and transparency; and expanding coverage among poor and vulnerable populations. The DPO supports a set of second generation reforms in social protection, building on past lessons and experience. In transitioning from the establishment of the flagship VUP program to address core needs, Rwanda is moving toward consolidating a social protection system. This transition involves a set of second generation reforms to strengthen specific areas of program design and delivery, notably: (i) improving administrative tools to enhance efficiency, especially the *Ubudehe* database and Integrated Social Protection Sector MIS (iSP-MIS); (ii) increasing harmonization across programs to improve efficiency and effectiveness, addressing beneficiary overlaps and better use of income generating programs; (iii) improving accountability and transparency in SP program budgets and citizens' engagement; (iv) strengthening local capacity in line with the substantial decentralization of social protection budgets and staffing; (v) expanding the flagship VUP program to reach full national coverage; (vi) updating poverty targeting; and (vii) introducing gender and child sensitive reforms conducive to child development. These reforms are supported by this DPO series.

8. **The first and the second DPO under the current ongoing series, Social Protection Systems (SPS-1and 2), established a set of core reforms under each of the three pillars and laid the groundwork for the series (for additional detail, please see para. 47).** Contributing to Efficiency (Pillar 1), reforms included harmonization between the two largest safety net programs, VUP and Genocide Survivors Assistance Fund (FARG); the launching of a new *Ubudehe* household registry serving as a foundational database for the iSP-MIS; and the establishment of objectives for a harmonized SP management information system. Contributing to Accountability and Transparency (Pillar 2), reforms included: the formal establishment of social protection as a sector, with related program composition and public expenditures; substantial decentralization and an expansion of key posts at the local government level contributing to direct citizens' engagement. Contributing to Coverage of Poor and Vulnerable (Pillar 3), coverage of the flagship VUP program expanded from 240 to 416 sectors for the Direct Support component; the *Ubudehe* poverty classification system for households was restructured; and the Government approved policy options for improving the gender and child sensitivity of SP programs.

9. **This SPS-3 DPO will support Rwanda to achieve the end-line goals in Rwanda's National Social Protection Strategy (2013-18) and Economic Development and Poverty Reduction Strategy (EDPRS-2) (2013-18) as well as Rwanda's aim of strengthening the prospects of its vulnerable population 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.

10. **The result of the reforms supported by the three DPO series is the creation of a firm foundation for a social protection system that is increasingly institutionally mature, central to poverty reduction approaches, with national coverage of the flagship VUP SP Program.** In place since 2009, the development policy operations have supported reforms underpinning the

design, pilot and implementation of what is now an established social protection system with (i) a policy foundation in a National SP Strategy; (ii) an established institutional structure, with MINALOC and LODA leadership and the VUP flagship safety net program; and (iii) the foundation of a strong SP system with an established SP program architecture, grounded in an SP budget and SP delivery systems (including the iSP-MIS, a National Social Protection Registry, and updated *Ubudehe* database).

11. **Rwanda continues to be characterized by a strong political and financial commitment to the social protection sector.** Social protection spending has risen steadily as illustrated in Table 5 and is projected to account for 1.4 percent of GDP in 2016/2017<sup>6</sup>. Also, the Government continues to demonstrate strong policy dialogue and increased capacity for delivery in the line ministries, providing a solid foundation for strengthening the social protection system.

12. **The World Bank remains a trusted partner in Rwanda’s ambitious social protection efforts, working very closely with other development partners in the SP sector.** The Government of Rwanda’s revised Division of Labor (DoL - 2013) framework for the SP sector in the country identifies the World Bank as a main international partner, along with the Department for International Development (DfID) (the lead donor agency for social protection) and UNICEF, with whom the World Bank coordinates closely. There is a shared vision between development partners and the Government regarding social protection and the donor community is fully supportive of the Government’s core poverty reduction and social protection strategies.

## 2. MACROECONOMIC POLICY FRAMEWORK

13. **Although external factors have started affecting the macroeconomic situation, the World Bank assesses that Rwanda’s macroeconomic policy framework remains adequate for development policy operations on the basis of the June 2016 IMF Policy Support Instrument (PSI) review and new Standby Credit Facility (SCF).** Rwanda’s prudent macroeconomic policy has enabled the country to achieve high economic growth, poverty reduction and macroeconomic stability in the past decade. Both monetary and fiscal policy have been coordinated and implemented in a prudent manner. Rwanda has also successfully completed its fifth review of a current IMF Policy Support Instrument in June 2016 in which the Fund confirmed that Rwanda has a track record of strong policy performance that has led to sustained high growth, progress in reducing poverty, and a stable macroeconomic situation. While Rwanda achieved steady growth and macroeconomic stability, import dependence is high and a difficult commodities environment compounded pressure on foreign reserves with visible impact in 2015-16. To mitigate future risks, the authorities have received IMF’s financing under the SCF and committed to undertaking adjustment measures to mute domestic absorption and ease current account strains (see Annex III).

### 2.1 RECENT ECONOMIC DEVELOPMENTS

#### Real Sector Developments

14. Rwanda has maintained steady growth at 6.9 percent in 2015, almost the same as the average over the past five years. Strong private consumption has supported this steady growth. Private consumption expanded by 10.9 percent, up from 4.8 percent in 2014. Also, supported by

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<sup>6</sup> “Revision of the Social Protection Sector Financing Strategy” Stephen Hitimana, Government of Rwanda, June 2016.

strong construction activities, gross fixed capital formation maintained high a growth rate at 9.5 percent in 2015.

### **External Sector**

15. **The external position started deteriorating in late 2015, partly in response to lower prices for minerals exports.** The current account deficit increased from 12.0 percent in 2014 to 13.6 percent in 2015. The trade balance held up fairly well because Rwanda is a net oil importer, so energy imports declined. But the decline in current transfers and deterioration of the services account negatively affected the current account. While the current account deficit was mostly offset by financial inflows, the overall balance of payments as a percentage of GDP was -0.4 percent of GDP. This was financed by use of official reserves with gross international reserves as months of goods and services imports of the following year fell from 4.8 months in 2014 to 4.0 months in 2015. In 2016, the trade balance deteriorated in the first two months. While mineral exports have continued to decelerate, imports have remained high. As a result, the trade deficit increased by 12 percent compared to the same period in 2016. Gross international reserves further fell from US\$919 million in December 2015 to US\$824 million in February 2016.

### **Monetary, Exchange Rate, and Financial Sector Policies**

16. **Through end-2015, the National Bank of Rwanda (BNR) maintained an accommodative monetary policy to support growth and macroeconomic stability.** Reserve money targets were tightened for a more cautious stance at the beginning of 2016. The urban CPI inflation rate – the headline rate for monetary policy purposes – is at 6.4 percent (as of August 2016), above the BNR’s medium-term objective at 5 percent. The BNR has been maintaining its policy rate at 6.5 percent since June 2014 but has tilted the stance in a tightening direction through quantitative target adjustments.

17. **The last BNR IMF assessment safeguard report dated 2008 concluded that acceptable internal controls are in place to manage the foreign exchange reserves.** Since the report is outdated, the IMF is undertaking a new assessment but the updated report is not finalized. In the 2011 Financial System Stability Assessment (FSSA), the IMF noted some aspects of BNR policy independence which should be strengthened but there has been no indication that specific issues relating to financial management of foreign exchange reserves are a concern. As an alternative to the forthcoming IMF safeguards report, based on the review of the management of the Designated Accounts in USD of all World Bank funded projects held at the BNR, apart from minor reconciliations issues almost resolved, no others weaknesses can be identified.

18. **Credit to the private sector is steadily increasing.** The year-on-year growth rate of credit outstanding to the private sector remained strong throughout 2015 and early 2016. It accelerated from 19.6 percent in December 2014 to 26.8 percent in December 2015 before slightly decelerating to 22.2 percent in May 2016. BNR broadly aims at financial deepening including supporting development of a domestic bond market.

19. **The financial sector remains sound.** The capital adequacy ratio stood at 22.5 percent in December 2015, up from 24.0 percent in December 2014, higher than the 15 percent minimum requirement. The ratio of nonperforming loans to gross loans stood at 6.2 percent in December 2015, up slightly from 6 percent in December 2014. On financial inclusion, 89 percent of Rwandan adults are financially included (i.e. they have or use financial products or mechanisms) in 2016 compared to 72 percent in 2012 (FinScope 2016).

20. **Greater exchange rate flexibility was the main adjustment response as of 2015 to**

**external imbalances.** In 2016, the IMF classified the exchange rate regime as *de facto* crawl-like and *de jure* floating. The exchange rate against the US dollar depreciated by 7.6 percent in 2015. The Rwandan franc has been appreciating against other regional currencies. Thus, the Real Effective Exchange Rate (REER) of the Rwandan franc appreciated by 2.3 percent in 2015. The pace of depreciation has accelerated in early 2016. In the first six months of 2016, the Rwandan franc depreciated against the US dollar by 4.8 percent. Moreover, the currency depreciated against other major currencies (e.g., euro, Kenyan shilling and Tanzanian shilling). As a result, REER has slightly depreciated during the same period.

21. **Inflation had been under the BNR’s medium-term objective of 5 percent but a variety of pressures have pushed it above the objective recently.** The appreciation of the REER and low energy prices contributed to stable inflation rates in 2015. Consumer price index (CPI) remained low at 2.5 percent in 2015 (period average), less than half of the levels in other East African Community (EAC) countries. However, the combination of the impact of *El Niño* and the increase in food demands (due to the inflows of Burundian refugees and cross-border demand from DRC and Uganda) started to affect food prices in late 2015, and pushed the urban inflation rate to 6.4 percent as of August. The rural CPI increased by 8.1 percent over the same period.

### **Fiscal Policy**

22. **Fiscal policy is consistent with the macro framework focused on maintaining stability, while promoting economic growth.** The composition of the public expenditures lays foundations for achieving the national goals of growth acceleration and poverty reduction identified in the second Economic Development and Poverty Reduction Strategy (EDPRS 2). The medium-term fiscal policy framework aims for fiscal consolidation through increased revenue mobilization and expenditure prioritization, including infrastructure projects, to remove bottlenecks for economic development. In the IMF program, fiscal policy will be managed to relieve pressures on the current account, specifically by close attention to import-intensive public spending.

23. **The results in the FY2014/15 budget demonstrate both challenges and successes.** Tax revenues increased by 0.7 percentage points to 15.5 percent, though slightly short of the target due to delays in the deployment of electronic billing machines (EBMs). On the other hand, grants fell sharply from 9.3 percent of GDP to 7.4 percent.<sup>7</sup> On expenditures, the expenditures-to-GDP ratio exceeded 30 percent for the first time at least in several years. The combination of the decline in grants and the increase in expenditures resulted in the increase in budget deficit to 5.4 percent of GDP, up from 5.1 percent in the previous year.

24. **Preliminary outturn of the first half of FY2015/16 is in line with projections.** Total revenues (Rwf 727.7 billion) were marginally higher than the projection by 1.1 percent. Higher than projected tax and non-tax revenues were offset by lower than project grant revenues. On expenditures, higher than projected wages and salaries (mainly due to new recruitment of teachers and health personnel) resulted in total realized recurrent expenditures being 1.1 percent higher than the projection.

25. **The Government reconfirmed its medium-term commitment to achieve fiscal consolidation.** In the budget framework paper in May 2015, the Government reconfirmed its medium-term commitments to achieve fiscal consolidation through increased efforts towards domestic revenue mobilization with new tax measures and expenditure rationalization / prioritization, including quality at the entry of public investment projects, as reliance on external

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<sup>7</sup> This decline includes a shift from grant aid to credits by multilateral financing institutions.

donor finance reduces. The budget framework paper for FY2016/17 was published and the budget approved by parliament in May 2016.

26. **Information on the budget and its annual execution is open to the public.** The Ministry of Finance and Economic Planning (MINECOFIN) website includes information on Budget Execution Report for the FY2014/15, half-year progress of FY2015/16 as well as the 2015/16 Approved Budget<sup>8</sup>.

## 2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

27. **The external environment is a source of headwinds in 2016 and 2017, before improving in 2018.** The World Bank projects that Rwanda's economy will grow 6.0 percent in 2016 and 2017 and 7.0 percent in 2018. As a net oil importer, the decline in international commodity prices, on balance, had a net positive impact on the economy in 2015 through an improved trade balance, lower inflation rates, and lower expenditures on fuel subsidies. However, the decline in mineral prices started to affect the sector, and steady domestic demand would limit further decline in imports. Furthermore, lackluster global and regional economic growth has started constraining private capital inflows (e.g., remittances). These factors are likely to have a negative effect on the availability of foreign inflows, and thus would constrain growth.

28. **Policy measures to cope with the strains on external balance are envisaged, creating more space for accelerated growth from 2018 onwards.** Thus, sustaining high growth in the medium / long term requires curbing excessing import demands in the short term. To this end, the authorities have agreed to implement adjustment measures under the planned Standby Credit Facility under the IMF. These adjustment measures include (i) exchange rate flexibility; (ii) containment in non-priority expenditures especially associated with large domestic absorption; and (iii) shift from a more cautious monetary policy. These measures are expected to curtail growth in 2016-17.

29. **In addition, there are factors to be aware of that could pose risks to the macroeconomic outlook.** As the public sector plays a key role in the economy, Rwanda's macroeconomic outlook depends heavily on domestic resource mobilization, and the effectiveness and efficiency of public expenditures. A second risk is regional instability: tourism receipts are Rwanda's largest source of foreign exchange but are heavily dependent on regional security. A third risk is the rain-fed nature of Rwanda's agriculture. Abnormal rain and floods severely affect not only the agricultural sector but also the food manufacturing and trade sectors. In addition to the short-term adjustment measures, structural reforms to overcome these risks (e.g., public financial management reforms and increasing agricultural productivity) remain critical.

30. **Rwanda's debt is sustainable: the latest IMF/World Bank Debt Sustainability Analysis in June 2016 concluded that Rwanda has kept a low risk of debt distress and under the baseline scenario all debt burden indicators are projected to remain below the policy-dependent thresholds.** Standard stress tests show marginal temporary breaches of the debt service-to-exports and debt service-to-revenue ratios in 2023 when the Eurobond issued in 2013 matures. These findings highlight the vulnerability of the Rwandan economy to external shocks and liquidity pressures at the time the Eurobond matures. Rwanda's credit ratings improved since mid-2014. Standard & Poor's confirmed Rwanda's rating (B+) in March 2016, although the outlook turned negative.

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<sup>8</sup> <http://www.minecofin.gov.rw/index.php?id=2>

31. While steadfast implementation of adjustment measures will reduce the current account deficit in the next two years, the government is taking broader measures to improve the external balance over the medium term. In the near term, aid flows will continue to play an important role. The Government expects that the implementation of the second National Export Strategy, which provides a framework for increasing exports, will yield early results. In addition, to reducing imports, the Government has been discussing an import substitution policy.

**Table 1: Key Macroeconomic Indicators**

	2012 (Act.)	2013 (Act.)	2014 (Act.)	2015 (Pre Act.)	2016 (Pro.)	2017 (Pro.)	2018 (Pro.)
<b>Real economy</b>	<b>Annual percentage change, unless otherwise indicated</b>						
GDP (nominal, local currency)	15.3	9.7	10.9	8.2	10.7	10.9	12.1
Real GDP	8.8	4.7	7.0	6.9	6.0	6.0	7.0
Per Capita GDP (US\$)	688	703	718	717	716	757	806
Contribution to Real GDP (%)							
Consumption	7.4	2.4	7.1	6.0	7.1	4.0	4.8
Investment 1/	5.2	2.1	2.4	2.4	0.8	3.9	2.9
Net exports	-3.8	0.2	-2.5	-1.5	-1.6	-1.2	-1.2
Imports	24.4	5.3	13.5	6.6	7.8	10.0	10.6
Exports	13.0	21.2	5.0	5.5	3.9	13.1	13.9
Unemployment rate (ILO definition) (%)	0.6	0.6	-	-	-	-	-
GDP deflator	6.0	4.8	3.7	1.2	4.4	4.6	4.8
CPI (period average)	3.9	3.6	2.1	4.5	4.7	5.0	5.0
<b>Fiscal Accounts</b>	<b>Percent of GDP, unless otherwise indicated</b>						
Revenues	25.3	23.7	26.1	25.3	24.1	23.5	23.0
Expenditures	26.5	28.7	30.0	30.6	29.0	27.1	26.1
General Government Balance (w grant)	-1.2	-5.0	-4.0	-5.4	-5.0	-3.6	-3.1
General Government Balance (w/o grant)	-12.2	-12.8	-13.3	-12.8	-11.1	-9.0	-8.0
PPG (end of period)	21.7	28.4	29.3	35.4	44.5	48.5	49.4
<b>Selected Monetary Accounts</b>	<b>Annual percentage change, unless otherwise indicated</b>						
Broad Money	14.0	15.5	19.0	21.1	15.4	15.6	15.1
Credit to non-government	35.0	11.1	19.6	26.8	16.0	16.0	19.5
Interest (key policy interest rate)	7.5	7.0	6.5	6.5	-	-	-
<b>Balance of Payments</b>	<b>Percent of GDP, unless otherwise indicated</b>						
Current Account Balance	-11.3	-7.4	-10.5	-13.5	-16.5	-12.0	-10.2
Excluding Official Transfers	-18.7	-16.3	-16.4	-18.1	-21.2	-16.1	-14.1
Imports	34.3	32.5	33.5	34.9	37.3	33.3	32.2
Exports	14.0	15.6	16.9	17.3	16.7	17.6	18.4
Foreign Direct Investment	2.2	3.4	3.0	3.9	3.9	4.0	4.2
Gross Reserves (in billions US\$, eop)	844	1,136	1,022	920	894	914	1,060
In months of next year's imports	4.1	5.1	4.2	3.6	3.2	2.5	2.9
As % of short-term external debt							
Total Public Debt	21.7	28.4	29.3	35.4	44.5	48.5	49.4
External Debt	16.2	21.4	23.6	28.5	37.5	41.4	44.4
Terms of Trade (2010=100)	94	100	97	95	94	95	96
Exchange Rate (average against US\$)	615	648	683	720	787	803	823
<b>Other memo items</b>							
GDP (nominal, billions of US\$)	7.2	7.5	7.9	8.1	8.1	8.9	9.6

1/ including change in inventories Source: BNR, NISR, MINECOFIN and World Bank (2016)

32. Domestic revenue mobilization remains a priority of fiscal policy. The tax-to-GDP ratio is projected to increase from 16.3 percent in 2015 to 17.2 percent in 2018 through implementation

of various revenue mobilization policies such as revised legislation on property tax and new tax regimes for agriculture and mining as well as continued efforts to improve the efficiency of tax administration. On the other hand, the grants-to-GDP ratio is projected to decline from 6.4 percent to 2.4 percent during that period. Public expenditures are expected to decline from 30.3 percent of GDP in 2015 to 27.9 percent in 2018, reflecting medium-term fiscal consolidation. The expenditure composition mirrors the Government's policies aimed at supporting growth and reprioritizing expenditure in a context of uncertainty from aid inflows. In this regard, the Government has been improving public investment management systems and procedures. In the formulation of the FY2014/15 budget, a public investment committee was operationalized to screen public investment projects. Spurred by fiscal consolidation efforts, the overall deficit (including grants) is expected to be stable at around 4-5 percent in the medium term. Foreign financing has been the main source of financing budget deficits, but most are highly concessional loans and therefore impacts on debt indicators have been small. Going forward, a combination of domestic resource mobilization and fiscal consolidation is expected to contribute to fiscal balance, with stable financing needs over the medium term.

**Table 2: Key Fiscal Indicators (Percent of GDP)**

	2012 (Act.)	2013 (Act.)	2014 (Act.)	2015 (Act.)	2016 (Pro.)	2017 (Pro.)	2018 (Pro.)
<b>Overall Balance</b>	<b>-1.5</b>	<b>-5.2</b>	<b>-4.3</b>	<b>-5.3</b>	<b>-5.4</b>	<b>-3.9</b>	<b>-3.3</b>
Primary balance	-0.7	-4.4	-3.2	-4.6	-4.1	-2.6	-2.2
<b>Total Revenues and Grants</b>	<b>25.3</b>	<b>23.7</b>	<b>26.1</b>	<b>25.3</b>	<b>24.1</b>	<b>23.5</b>	<b>23.0</b>
Tax revenues	14.3	15.8	16.8	15.5	15.9	16.0	16.0
Taxes on goods and services	6.8	6.8	7.7	7.7	7.9	8.0	8.0
Direct taxes	5.5	6.1	6.1	6.7	6.7	6.9	6.81.1
Taxes on international trade	1.1	1.2	1.1	1.1	1.2	1.2	1.1
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax revenues	0.8	1.8	2.0	2.3	2.1	2.1	2.1
Grants	11.0	7.8	9.4	7.4	6.1	5.4	4.9
<b>Expenditures</b>	<b>26.5</b>	<b>28.7</b>	<b>30.0</b>	<b>30.6</b>	<b>29.0</b>	<b>27.1</b>	<b>26.1</b>
Current expenditures	14.8	13.6	15.2	14.9	14.6	14.5	14.1
Wages and compensation	3.5	3.6	3.7	3.6	3.7	3.7	3.7
Goods and services	3.6	2.6	2.8	2.8	2.9	3.0	2.8
Interest payments	0.4	0.7	0.8	0.8	0.9	1.0	0.9
Current transfers	5.4	5.0	5.6	5.4	5.5	5.3	5.1
Other social transfers	1.8	1.7	2.3	2.2	1.6	1.6	1.5
Capital expenditures	11.7	12.1	13.9	13.7	12.6	11.0	10.5
Domestic	5.6	5.1	6.2	6.9	7.9	6.0	5.6
Foreign	6.1	7.0	7.6	6.8	4.7	5.0	4.9
Net Lending	0.0	3.0	1.0	1.7	1.8	1.6	1.6
<b>General Government Financing</b>	<b>1.5</b>	<b>5.2</b>	<b>4.4</b>	<b>5.3</b>	<b>5.4</b>	<b>3.9</b>	<b>3.3</b>
External (net)	2.3	7.3	2.0	3.4	3.9	4.7	3.0
Domestic (net)	-0.8	-2.0	2.3	2.6	2.0	-0.7	0.3

Source: MINECOFIN and World Bank staff calculation. (2014)

33. **In the medium term, Rwanda's macroeconomic policy framework is expected to remain adequate, given implementation of the adjustment outlined in the IMF program.** In addition to the exchange rate and fiscal components of the program, Rwanda is expected to continue expanding its domestic tax base and further promote private sector development for higher domestic tax revenue. To achieve private sector development and further poverty reduction, Rwanda needs to diversify its economy by addressing a number of structural constraints. Agriculture is another area where Rwanda has substantial capacity to build on current success and

continue expanding productivity and job creation. Agriculture harvests remain vulnerable to adverse weather conditions while only three percent of total cultivated land is irrigated. Increasing cultivated area under irrigation will be paramount for sustainable agriculture production. Expanding the export base and diversifying its export basket is another important area to address. Improving access to finance and creating a conducive investment climate will be critical for private sector development, job creation and higher domestic tax revenue.

### 2.3 IMF RELATIONS

34. **In June 2016, the IMF successfully completed its fifth review of Rwanda’s economic performance under the program supported by the Policy Support Instrument (PSI)1 and approved an arrangement under the Standby Credit Facility, amounting US\$204 million.** This financing will backstop international reserves in support the authorities’ adjustment efforts to address external imbalances, which are expected to modestly reduce growth in 2016 and 2017 to 6 percent; after successful adjustment, policy relaxation can enable a growth rebound to 7 percent in 2018 (see Annex III). This support was developed to address issues of foreign currency liquidity, as a response to a request from the authorities and to recommendations from the fifth review under the Policy Support Instrument (PSI) conducted in in April 2016. The Government of Rwanda authorities have committed to implementing the following policy measures including: (i) exchange rate flexibility (i.e., allow more depreciation of the Rwandan franc); (ii) cut / delay in non-priority expenditures, especially ones with high import contents; and (iii) shift from accommodative to neutral monetary policy.

35. The Bank and the IMF have been closely collaborating in Rwanda. A World Bank staff member participates in IMF missions (the latest one in April 2016) and sometimes the Fund’s internal meetings and vice versa. The Joint Staff Advisory Note (JSAN) for the EDPRS 2 was completed in December 2013 and the Debt Sustainability Analysis (DSA) is jointly conducted on an annual basis. In formulating the Program for Results Program on Public Sector Governance, the World Bank and the IMF collaborated on public financial management (PFM) reforms.

### 3. THE GOVERNMENT’S PROGRAM

36. **The National Social Protection Strategy (NSPS-2) is fully aligned with the overarching Economic Development and Poverty Strategy (EDPRS-2 2013-2018) and both display evidence of the Government of Rwanda’s sustained prioritization of the social protection sector.** The approved National Social Protection Strategy (2011) and its updated version, the EDPRS-2 Social Protection Sector Strategy (2013-18), set out the mission and goal for social protection in Rwanda. The strategy aims “*to contribute to reduced poverty and vulnerability and to promote equitable growth*”, which links directly to the EDPRS-2 objective of “ensuring a better quality of life for all Rwandans by promoting growth and reducing poverty”. This strategy establishes how the social protection sector will contribute to a range of EDPRS-2 objectives, both as a foundational sector and by delivering results under the Rural Development Theme through reducing rural poverty, promoting equitable growth and supporting economic transformation. Baselines with relevant policy (EDPRS-2) and program (Vision 2020 Umurenge) targets are outlined in Table 3.

**Table 3: Government Policy Targets relevant to SP Sector:**

Indicator	Current Status	EDPRS-2 Target (2018)	Vision 2020 (2020)
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% of population below poverty line	39%	<30%	<20%
% of population below extreme poverty line	16%	9%	0%
Gini-coefficient (inequality measurement)	0.44	n/a	0.35
Child Chronic Malnutrition	38%	n/a	15%

Source: *Integrated Household Living Conditions Survey, 2013/14.*

37. **Rwanda has also developed a strategic framework and implementation plan for achieving SP outcomes, the overall objective being to ‘establish a SP system that can tackle poverty, inequality and vulnerability, and improve access to essential services and social insurance.’** Priority areas include: (i) increasing coverage of extreme poor and vulnerable populations; (ii) addressing child poverty and vulnerability; (iii) ensuring that the SP system has a sustainable impact on extreme poverty; (iv) ensuring effective, efficient and harmonized SP delivery; (v) improved measurement and visibility of SP results and impact; and (vi) improved sector response to climate-related risks.

38. **Rwanda has four main social protection programs, with the flagship *Vision 2020 Umurenge Program (VUP)* as the cornerstone.** Established in 2008, the VUP’s goal is the elimination of extreme poverty by 2020. The VUP is implemented by the Local Administrative Entities 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.

39. **VUP uses both geographical and household targeting, with a strong emphasis on community based targeting at the household level.** Geographical targeting prioritizes the poorest districts and poorest geographical sectors therein. At the household level, the VUP uses the *Ubudehe* community-based methodology to target eligible beneficiaries. Specifically the recently updated *Ubudehe* targeting method allocates each household to one of four income and poverty-related categories differentiated by qualitative criteria.<sup>9</sup> In each update, village-level communities identify the poorest households that are most in need of income support from a range of social programs, including educational stipends and subsidies for health insurance. A range of social sector programs then use *Ubudehe* data as an input for determining beneficiary eligibility. A new *Ubudehe* categorization was conducted in 2015 and reassessed all households accordingly to new criteria and a new scale. It underwent an appeals process, whereby households could contest their classification if they disagreed and new categories have been finalized. The World Bank’s Poverty and Social Protection teams have been engaged in targeting discussions and support, along with other development partners, to help the government strengthen poverty targeting (see discussion of Pillar 3 in Section 4.2).

<sup>9</sup> Previously, the *Ubudehe* household categorization system was comprised of 6 categories.

**Table 4: VUP Scale-Up from Inception (2008) to FY2014/15**

PERIOD	COVERAGE (# of sectors)			% of total Sectors			Beneficiaries (# of households)		
	DS	PW	FS	DS	PW	FS	DS	PW	FS
2008	0	30	0	0	7	0	0	18,304	0
Mini Year 2009	30	30	0	7	7	0	6,850	17,886	0
2009-2010	60	60	60	14	14	14	9,692	61,335	55,675
2010-2011	90	90	90	22	22	22	18,892	103,557	53,228
2011-2012	120	120	120	29	29	29	27,631	94,397	55,326
2012-2013	180	150	150	43	36	36	43,671	89,011	55,212
2013-2014	240	180	150	58	43	36	61,981	104,400	51,142
2014-2015	330	210	211	79	50	51	84,354	111,923	17,042
2015-2016	416	210	240	100	50	58	86,772	106,041	53,947

Source: LODA, September 2016

40. **The VUP program has expanded rapidly and now reaches over three quarters of the geographic sectors in Rwanda, with plans for full national coverage by 2018.** Likewise, VUP has consistently increased the number of VUP beneficiaries. With 6,850 direct support (DS) beneficiaries at its introduction in 2009 and 18,304 public works (PW) beneficiaries at its inception in 2008, the two components now reach 86,772 and 106,041 households, respectively. Financial Services (FS) support has remained constant at approximately 55,000 beneficiaries per year since its introduction in 2009, with a recent drop.<sup>10</sup> The total level of coverage is now therefore over 200,000 households, reaching more than a million beneficiaries, assuming an average household size of six in the poorest quintile. Noteworthy is also that this beneficiary coverage exceeds pre-established targets.

41. **The remainder of the social protection sector is comprised of:** i) other Direct Support and nutrition support schemes; ii) social care and support services; iii) and certain livelihood development services. These services are delivered by a number of social protection institutions including: LODA; FARG; RDRC; MINAGRI; NCPD; NCC; MIGEPROF; MINALOC; and MIDIMAR. *The Genocide Survivors Support Fund (FARG)* was established in 1998 to provide assistance to needy genocide survivors in five main areas: health, education, direct income support, shelter and income generating activities. The *Rwanda Demobilization and Reintegration Program (RDRP)* was established in 1997 to provide social protection interventions to eligible ex-combatants. It provides income support for a pre-determined duration plus long term cash transfers, which are differentiated based on severity of disability. RDRP also provides support in the areas of health, education, shelter and income generating activities. The *MINALOC Decentralized Funding Program* provides earmarked transfers to Districts for the purposes of social protection. The program can finance different activities based on the request submitted but tends to focus on income generating activities.

<sup>10</sup> The FS component was constrained during FY2014-15 as LODA put in place arrangements for the Umurenge Savings and Credit Co-operatives (SACCO) to assume management of the Financial Services Sector Revolving Funds and the approval, disbursement and collection of loans. This footnote is also relevant for Tables 4 and 8.

**Table 5: Trends in Government Support to Social Protection Programs**

SOCIAL PROTECTION GOVERNMENT FINANCING														
Government SP Financing	2009/10 (actual)	2010/11 (actual)	2011/12 (actual)	2012/13 (budget)	2012/13 (actual)	2013/14 (Budget)	2013/14 (actual)	2014/15 (budget)	2014/15 (actual)	2015/16 (Budget)	2015/16 (Actual)	2016/17 (Budget)	2017/18 (Proj.)	2018/19 (Proj.)
Main SP Programs	in US\$	in US\$	in US\$	in US\$		in US\$		in US\$		in US \$	in US \$	in US \$	in US \$	in US \$
1. LODA	16,541,353	18,045,113	22,957,625	33,634,311	32,130,552	45,571,647	44,257,978	50,989,011	50,248,919	55,920,774	50,603,804	45,951,066	45,832,361	44,537,175
VUP	16,541,353	18,045,113	22,957,625	33,634,311	32,130,552	38,028,597	36,746,758	41,268,225	39,936,966	40,707,185	40,698,379	38,223,229	37,469,121	36,463,055
UBUDEHE	-	-	-	-	-	4,732,984	4,701,153	6,318,754.28	7,024,266	10,869,941	6,342,495	5,034,613	4,935,285	4,802,770
NUTRITION	-	-	-	-	-	2,810,067	2,810,067	3,402,031.93	3,287,687	4,343,647	3,562,930	2,693,224	3,427,955	3,271,350
2. FARG	23,934,371	28,360,922	31,811,598	33,160,878	34,229,221	38,577,430	36,990,864	37,773,786	37,750,409	37,676,288	38,924,607	39,196,361	36,399,986	44,194,553
3. RDRC	5,559,783	2,869,209	5,975,555	6,014,760	5,871,153	5,915,238	5,649,130	8,312,292	3,847,483	7,519,662	10,846,556	7,299,497	7,128,581	7,826,993
4.1. MINALOC - SP interventions in decentralised entities	2,264,054	1,808,370	2,649,560	8,912,743	2,519,583	2,414,923	1,846,424	2,081,663	2,081,663	2,024,826	2,020,237	1,809,764	1,739,274	1,659,386
4.2. MINALOC - SP (Central)	-	-	-	-	-	301,905	301,905	201,742	170,199	111,346	131,401	158,339	164,449	189,383
Other SP Programs														
5. NCPD	-	-	-	756,056	722,911	1,430,468	1,392,065	498,596	491,012	434,364	952,275	896,447	697,843	673,196
6. NCC	-	-	-	776,718	670,439	764,638	2,435,199	6,103,941	4,274,701	4,973,051	4,344,575	4,794,581	2,702,756	2,737,880
7.1. MINAGRI GIRINKA	-	-	-	3,778,727	1,661,593	2,250,563	2,249,932	1,596,517	1,539,800	2,114,165	2,358,908	1,258,653	1,659,315	1,590,728
7.2. MINAGRI NUTRITION	-	-	-	-	-	2,265,566	2,199,550	2,830,189	2,819,267	3,002,114	3,902,610	1,875,426	4,014,097	4,116,676
8. MIGEPROF	-	-	-	1,927,195	1,686,339	3,269,235	2,982,831	4,032,776	2,149,683	3,004,456	2,643,128	3,082,116	3,285,441	3,667,580
9. POOLING RISK	-	-	-	3,845,398	4,137,799	3,078,745	6,919,829	5,556,691	9,220,519	6,329,722	7,539,018	5,652,534	5,431,010	5,296,960
10. MIDMAR	-	-	-	-	-	1,619,920	1,589,912	714,976	1,021,215	6,305,020	6,588,469	6,699,581	5,789,022	6,370,355
<b>Total GoR Financing</b>	<b>48,299,561</b>	<b>51,083,614</b>	<b>63,394,338</b>	<b>92,806,787</b>	<b>83,629,590</b>	<b>107,460,278</b>	<b>108,815,618</b>	<b>120,692,178</b>	<b>115,614,871</b>	<b>129,415,787</b>	<b>130,855,586</b>	<b>118,674,366</b>	<b>114,844,135</b>	<b>122,860,865</b>

Notes:

- 1) Exchange rates applied: 665Rwf from 2009/10FY to 2012/13FY; 666.5 RWF in 2013/14FY; 689RWF for 2014/15FY, 709.5 RWF for 2015/16FY, 794.5RWF for 2016/17FY, 826.7 RWF for 2017/18FY and 866.5 RWF for 2018/19FY
- 2) The source of information is the Finance laws for budget data and budget execution tables from MINECOFIN on domestic resources completed with sector reported information on components externally funded whose execution is done outside MINECOFIN IFMIS system
- 3) For 2013/14, the provided data are based on revised budget for 2013/14 whereas the SSPS-3 data were based original budget for 2013/14.
- 4) For consistency with data published last year, the budget amount for 2015/16 is the amount as it was in the original budget, while actuals are based on the revised budget
- 5) The data provided for 2016/17 and 2017/18 are projections from 2015/16 budget and MTEF
- 6) In RWF, social protection expenditures are projected to continue to rise through 2018/2019, but when converted to USD they appear to decline given current and projected exchange rates

42. **The policy and program commitment to mobilizing social protection as a cornerstone in the Government’s poverty reduction goals is backed by a strong financial commitment to the sector.** Government defined social protection expenditures have grown steadily over the past five years (see Table 5).<sup>11</sup> Monchuk (2014) identified that in 2010/11 Rwanda’s expenditure on safety nets comprised 1.1% of GDP, which was in line with the average in African lower income countries. A more recent review of the Social Protection Sector Financing Strategy estimated that in FY2016-17 the Social Protection sector expenditure would comprise 1.4% of GDP.<sup>12</sup>

43. **The Government has estimated the budget for implementing social protection priorities as articulated in the NSPS-2 to be US \$448.8 million over five years - an average of US \$89.75 million annually (see Table 6).**<sup>13</sup> This is a conservative estimate that mainly focuses on programs administered by the Ministry of Local Government (MINALOC). In the first two years, the expenditures from 2012/13 (US\$84 million) to 2014/15 (US\$116 million) have increased by 38 percent.

44. **This projected level of social protection spending is envisaged in the overall macroeconomic outlook supported by the IMF PSI, underscoring the fiscal sustainability of Rwanda’s social protection program.** Furthermore, the level of proposed support under the DPO is consistent with Rwanda’s financial commitment to the social protection sector. The upgrading of Rwanda's social assistance programs and extension of VUP coverage supported by this DPO series continues to be fiscally responsible, even taking into account the Government’s ambitious goals.

**Table 6: Cost by Outcomes as per the EDPRS-2 and NSPS-2 for 2013-2018 period**

NSPS-2 Outcome	RwF mill	USD mill*	% of Total
1. Increasing coverage of extreme poor & vulnerable <sup>14</sup>	254,882	330.5	73.6
2. Addressing child poverty & vulnerability	387	0.5	0.1
3. Ensuring SP system has sustainable impact on extreme poverty	88,368	114.6	25.5
4. Ensuring effective, efficient & harmonized SP delivery	1,003	1.3	0.3
5. Improved measurement and visibility of SP results and impact	1,317	1.7	0.4
6. Improved sector response to climate-related risks	145	0.2	0.0
<b>TOTAL</b>	<b>346,102</b>	<b>448.8</b>	<b>100</b>

\*Note: Exchange rate as of April 15, 2016 (771.223161RwF); Source: NBR [<http://www.bnr.rw/index.php?id=204>]

## 4. THE PROPOSED OPERATION

### 4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

45. **This proposed Social Protection System (SPS-3) operation of SDR 68.2 million (US\$ 95 million equivalent) is the third 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, accountability and coverage of its social protection system.”**

<sup>11</sup> The growth in expenditure is evident when measured in RWF but the growth is offset in Table 5 by the projected movement in the USD exchange rate.

<sup>12</sup> “Revision of the Social Protection Sector Financing Strategy” Stephen Hitimana, Government of Rwanda, June 2016.

<sup>13</sup> NSPS-2 priorities are mainly in the area of social assistance – e.g. of safety net transfers—and the expenditures reported refer to Rwanda’s social assistance expenditures.

<sup>14</sup> Outcome 1 is the most expensive to deliver as it includes increased coverage of extreme poor and vulnerable households.

46. **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.

47. **This DPO program and series has provided longstanding support to establishing Rwanda's social protection system.** Past DPO engagement supported the establishment of a social protection system, creating the VUP as the flagship social protection program in 2008 with support from piloting to rapid, expanded coverage, reaching just over three quarters of the geographical sectors in the country and close to one million people. The past series also helped Rwanda set a vision for its SP system and establish a foundation for its management through the development of a spreadsheet based management information system (MIS) plan and initial pilot and a focus on recruiting and training appropriate staff. It also introduced needed flexibility for disaster responsiveness and focused on setting up the initial elements of a grievance and redress system. These past reforms provided the building blocks for the establishment of a well-developed SP system at the level of policies, programs and administrative tools for service delivery.

### *Lessons Learned*

48. **Key lessons from the previous two DPO series were incorporated in the design of this third series.** As noted in the Implementation Completion and Results Report (ICR) for the SPSS series (2012-2014), sector policy reform takes time and requires continuity for success. Clear goals and targets further contribute to this success and Government of Rwanda commitment to meeting established goals and targets has continued under this series. It is not only the strength of the GoR's commitment to social protection, but, more equally important, it is the well-paced continuity in its commitment over time that stands out. The Bank's continued presence through the current SPS series has provided additional continuity. More specific lessons incorporated into this series include:

- *The value of development policy operations as a lending instrument:* The programmatic nature of the DPO (and of the sequence of DPOs in support of Rwanda's social protection sector) allowed for the flexibility needed to constantly refine, adjust and adapt the Program to implementation experience, and newly identified priorities and challenges, similar to what would be achieved through a project restructuring for an investment lending instrument. In addition DPOs proved to be appropriate instruments for supporting the foundational set of reforms needed to establish a strong base for a social protection system in Rwanda.
- *A focus on a service delivery instruments provides as foundation for a social protection system development:* the development of targeting mechanisms; an MIS for social protection; and an update of the *Ubudehe* registry linked to national identification; and a grievance and redress system accessible by phone, web and SMS has taken time, but provided a strong basis for a functional social protection system. These foundational

contributions developed by LODA are closely linked to the core social protection programs, but are already being used by a range of other programs, notably in the social sectors including health insurance and education scholarships.

- *Program design and staff capacity are critical investments:* Various assessments under SPSS and SPS-1 and SPS-2 pointed to the importance of both program design and institutional capacity. MINALOC and LODA have played central roles in the establishment and implementation of the SP sector but will need to continue to invest in reviewing design elements based on performance evidence, as well as invest heavily in staffing and capacity building, especially given growing decentralization. Lessons point to the importance of improving program design before expansion, as well as proper staff capacity to implement large-scale programs.
- *Coordinated efforts across development partners well aligned with Government priorities provide important technical and financial support to reforms:* Although always the driver of the reform effort, the GoR has counted upon needed financial and TA from its development partners, all under a well-coordinated and functioning donor-government group, the Sector Working Group, using regular backward- and forward-looking Joint Sector Reviews to ensure collaboration in monitoring progress and in implementing well-coordinated policies and programs. The continuity in this commitment—in financing, coordination and the provision of hands-on TA and advisory support—has been laudable and instrumental in helping Rwanda address its goals and targets.

49. **This DPO series builds on this past engagement in the social protection sector.** Notably, this operation 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 of poor and vulnerable populations (see Section 4.2 for a discussion on analytical underpinnings and results from the impact evaluation). Specifically, this DPO series: (i) strengthens tools to improve the management and service delivery of social protection programs, notably the iSP-MIS and the *Ubudehe* database, 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) enhances productivity by focusing on harmonizing and strengthening income-generation programs targeted to poor households; (iv) introduces improved accountability and transparency processes and tools, in line with the GoR’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 the 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 institutionalizing the analysis of the poverty impacts of the VUP program as part of the EICV household survey work.

50. **The first and second DPO in the current DPO series (SPS-1 and 2) established some core reforms in each of the three pillars and laid the groundwork for the series.**

- Efficiency (Pillar 1) concentrated mainly on administrative efficiency and encompassed a series of reforms including: a harmonization policy eliminating duplicate direct

support/unconditional cash transfer benefits between the two largest safety net programs, VUP and FARG, contributing to improved efficiency and equity in access to public resources; the launching of a new *Ubudehe* database and household registry wherein national data collection has been completed and is being finalized using a community-based appeals process; the establishment of core iSP-MIS objectives for a harmonized SP management information system. Under SPS-2, reforms to support efficiency were strengthened with linkages between the national ID and the *Ubudehe* databases; in the establishment of technical system specifications and a costed roadmap for the iSP-MIS; and with improved social protection program harmonization through a focus on income-generating programs.

- Accountability and Transparency (Pillar 2) reforms included: the formal establishment of social protection as a sector, with related program composition and public expenditures; the substantial expansion of staffing at the local government level, with an emphasis on those working on social protection programs and strengthening citizens' engagement. This was deepened in SPS-2 through reporting on the SP budget and a new curriculum with accompanying intensive training for local staff.
- Coverage of Poor and Vulnerable (Pillar 3) reforms included: expanded coverage of the flagship VUP program whose coverage moved from 240 to 416 sectors in Direct Support, 180 to 210 in Public Works, and 150 to 240 in Financial Services from FY14 to FY16 (see Table 4); restructuring of the *Ubudehe* poverty classification system for households; and identifying and selecting policy options for improving the gender and child sensitivity of SP programs. The testing of a poverty scorecard derived from EICV-4 data is currently being discussed. This area was strengthened under SPS-2 through further expansion and reform to VUP and through adoption and development of selected gender and child sensitive social protection reforms.

51. **Building on this foundation and lessons learned, this DPO series continues the programmatic approach to strengthening Rwanda's social protection system, focusing on support for a set of policy reforms that deepen core areas of the SP system and introduce a set of second generation reforms consistent with the degree of maturity of the system.** The pillars and the prior actions and triggers therefore aim to: (i) improve the *efficiency* of the SP system by focusing on core areas of administrative efficiency and program harmonization to deepen needed reforms, especially in the *Ubudehe* socioeconomic classification database and iSP-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 better coordinating income generating programs; (ii) deepen the focus on *accountability and transparency* and, in line with the Government of Rwanda's (GoR) and the Country Partnership Strategy's (CPS) focus on accountable governance, bringing a focus on budgetary transparency and citizens' engagement; and (iii) continue the focus on the ambitious expansion of coverage, notably of the VUP, emphasizing coverage of *the poor and vulnerable*, given the need to improve poverty targeting and to ensure protection that is both gender-sensitive and conducive to child development.

52. **The choice of a Development Policy Operation (DPO) as a lending instrument is in line with the Government of Rwanda's 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 three year program that will help propel Rwanda toward the 2018 goals in the EDPRS-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 NSPS-2. Finally, this instrument responds to client preference and is consistent with Rwanda’s strong macro-fiscal framework.

53. **The policy reforms supported by this DPO series are complemented by strong donor engagement supporting a robust technical assistance program and cohesive Sector Working Group, two important complements that will help ensure that results are achieved.** A robust program of technical assistance and support is being provided by development partners, notably DfID and UNICEF and a World Bank executed Rapid Social Response grant. This support includes financing for technical studies linked to the policy actions as well as support for four full-time technical staff (from DfID) working directly with MINALOC and LODA. There is also an active, cohesive, well-functioning government-development partner Sector Working Group (see Section 4.4) chaired by Government of Rwanda line ministries and co-chaired by development partners, with assignments by sector. This supportive environment provides the necessary foundation for a strong set of policy-based reforms as outlined in this DPO.

54. **At the conclusion of this current DPO series, it is anticipated that Rwanda will have achieved its goal of establishing a well-structured social safety net with national geographical coverage, and will have implemented a set of reforms foundational to the efficiency, accountability and transparency of the system.** There will also be elements where continued leadership will be needed, as with all social protection systems, notably to meet demands for household coverage, as well as program expansion and harmonization. Areas of possible future engagement are outlined in Section 4.3.

## 4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

55. **This operation supports priority policy reforms needed to reach Rwanda’s ambitious goals and is correspondingly grounded in three pillars:** efficiency of the social protection system; accountability and transparency; and coverage of poor and vulnerable populations. All prior actions for SPS-3 have been completed and the progress is discussed under each pillar in this section. In substance, all prior actions have remained unchanged from the initial design of the SPS series except for minor rephrasing of some prior actions and the addition of a new prior action 6. The revisions were made to strengthen the prior actions due to additional progress made by the Government of Rwanda on the implementation of the program<sup>15</sup>.

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<sup>15</sup> Prior Action #1 (original language) “LODA to ensure that the interface between *Ubudehe* and NIDA databases is fully functional.” The revised language reflects the accomplishment of updating the *Ubudehe* national household poverty database to reflect the new *Ubudehe* criteria as well as the inclusion of the NID.

Prior Action # 2 MINALOC to develop priority MIS modules and issue protocols on roles and responsibilities for use and maintenance of the MIS. The revised language reflects the importance of the National Social Protection Registry and user interface for the operationalization of the MIS and that issuance of protocols was not sufficient to achieve full operationalization.

Prior Action #3 (original language) “MINALOC to pilot a minimum package to support graduation, including harmonizing income-generating activities across selected SP programs” The revised language reflects the fact that the minimum package pilot has now been implemented in 30 sectors.

Prior Action #5 (original language) “MINALOC to implement and monitor an SMS system for appeals and complaints” to “MINALOC to implement and monitor a citizen appeals and complaints system, including web-based and SMS platforms.” This reflects the full and expanded scope of the system.

New Prior Action #6 “MINALOC to approve the revised VUP program.”

Prior Action # 7 – (original language) “MINALOC to incorporate plan and budget for expansion in FY17 of gender and child sensitive SP programs” The revised language reflects the fact that the National Early Childhood Development (ECD) policy has been approved, and gender and child sensitive SP programs are part of this policy.

## ***PILLAR 1: EFFICIENCY OF THE SOCIAL PROTECTION SYSTEM***

56. **Pillar 1 aims to improve the administrative efficiency of the social protection system and help generate value for money by improving both administrative systems and program harmonization.** DPO-supported reforms will lead to the following achievements which are central to improving efficiency: (i) A 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) A comprehensive iSP-MIS, including links between the *Ubudehe* database, program registries and the national ID database; 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.

### ***Area (i): Reformed Ubudehe database for identifying and registering poor and vulnerable households***

- *SPS-1 Prior Action #1: MINALOC to adopt roadmap for updating of the Ubudehe national household poverty database (completed)*
- *SPS-2 Prior Action #1: LODA to sign an MOU with National ID Agency (NIDA) including technical specifications for interface between Ubudehe and NIDA databases (completed)*
- *SPS-3 Prior Action #1: LODA to ensure that the updated Ubudehe national household poverty database is operational, including a fully functional interface with the NIDA database (completed)*

57. **Eligibility for a range of programs in Rwanda – including most social protection benefits and a number of social sector benefits notably in health and education – is based on households’ *Ubudehe* poverty category and requires administrative inter-operability across the *Ubudehe* database and program beneficiary registry databases.** This administrative inter-operability is critical to the *efficient* managing of social programs as well as to their *harmonization*, addressing coverage duplication and gaps and promoting synergies across programs. While this operation will not specifically support Rwanda’s National Identification Agency (NIDA), a clear identification of households using Rwanda’s strong national ID system presents an opportunity to support inter-operability across databases, verification of identify and eligibility, and is a core feature of the *Ubudehe* database that needs to be strengthened. NIDA was established by legislation in 2011 and has rapidly developed a leading model for foundational identification systems. The agency has issued national identification numbers and associated national identification cards (NIDs) to more than 80 percent of the adult population (16+) using biometrics to ensure uniqueness and has links to Rwanda’s system of vital statistics, thereby serving as a national population register.

58. **Under SPS-1, MINALOC adopted a roadmap for updating of the *Ubudehe* national household poverty database.** The revised *Ubudehe* database includes the use of the national ID, a revised classification scheme, and an updated community targeting process. A pilot in five districts allowed a review of the quality of data collection, the categorization and appeals procedures (including households’ satisfaction with the categorization process), the functionality of four new categories, and the ability to create a quality database with inter-operability across programs (including with the iSP-MIS). One major finding of the pilot was that the coverage of the NID is possibly higher at the national level than NIDA estimates but is lower among poor and

vulnerable populations. Those without a NID, however, will continue to receive benefits in accordance with the existing community validation process and program eligibility criteria.

59. **Under SPS-2, LODA and NIDA signed a Memorandum of Understanding (MOU), including technical specifications for the interface between the Ubudehe and NIDA databases.** As outlined in this agreement, updates in the foundational ID database inform the *Ubudehe* database and iSP-MIS on an ongoing basis, substantially improving MINALOC and other agencies' capacity to manage their programs and beneficiary registries. In the short-run, the MOU prioritizes a linkage between NIDA and *Ubudehe* to verify the National Identity Numbers of all adults 16+ in the *Ubudehe* database and for NIDA to provide a NID for those that are registered but are missing their physical NID. Those under 16 are identified through the *Ubudehe* classification process at the household level. Eventually, as NIDA improves its civil registration process and records, it will also be possible to cross check the accuracy of *Ubudehe* data on those under 16 against the NIDA database. In the medium- and long-run, this MOU aims to achieve functional inter-operability of the identity data between LODA's *Ubudehe* database and NIDA so that both contain consistent and cross checked data and updates are able to flow between them.

60. **Under this SPS-3 program, the Government has updated the Ubudehe national household poverty database, which has a fully functional interface with the NIDA database, an element central to addressing eligibility and supporting the effective management and efficiency of a range of programs using Ubudehe.** The national fieldwork for registering and classifying all households in Rwanda is complete, the design of the updated *Ubudehe* database has been finalized and the web-service linking the *Ubudehe* and NIDA systems is up and running, including secure transmission of data across the two systems. In addition, as outlined in the NIDA/LODA MOU, protocols and responsibilities for follow-up on inconsistencies and missing IDs have been finalized as well as protocols on roles and responsibilities to ensure quality of the data as well as restrict access to only specific users. Program management will be enhanced and efficiencies gained by strengthening eligibility – including by addressing inclusion and exclusion errors and helping to prevent and eliminate ghost, deceased and other non-eligible beneficiaries.

*Area (ii): iSP-MIS, including links between the updated Ubudehe database, program registries and the national ID database*

- *SPS-1 Prior Action #2: Short-, medium-, and long-term iSP-MIS objectives approved by the MINALOC convened iSP-MIS Technical Committee (completed)*
- *SPS-2 Prior Action #2: MINALOC to finalize, validate, and adopt iSP-MIS technical system specifications and costed roadmap (completed)*
- *SPS-3 Prior Action #2: MINALOC to (i) establish the structure of the National Social Protection Registry (NSPR); (ii) design a web-based graphical user interface for communication across programs; and (iii) develop protocols on staffing, and roles and responsibilities for use and maintenance of the iSP-MIS (completed)*

61. **A key feature of the effective and efficient operation of SP programs is the management of program data to support program harmonization.** Each of the 4 main SP programs in Rwanda (described in Section 3) has some form of a MIS, some rudimentary and some well-developed. These systems have been unable to easily communicate with each other or to track beneficiaries across programs and throughout their life. They also cannot electronically track payments, grievances and redress, and monitor and report efficiently on results. Lack of efficient management of program data and a case management tool impedes efficiently and effectively

managing beneficiary and program information.

62. **The Government of Rwanda articulated a vision statement for a social protection management information system to improve social protection program delivery. In particular, it aims to improve the following areas of program delivery: registration, monitoring, payments, appeals and complaints and graduation processes.** In addition to the vision statement, the Government decided on a policy framework for the institutionalization of the iSP-MIS, including identifying a responsible institution (MINALOC) and establishing a cross-government team for approving policy decisions related to development of the iSP-MIS. This iSP-MIS Technical Committee is composed of government representatives from various ministries and agencies as well as development partner representatives. The sector Monitoring and Evaluation (M&E) Framework, currently under preparation, will also be underpinned by the iSP-MIS.

63. The iSP-MIS will eventually pull together key data on core and complementary social protection programs. The iSP-MIS will enable the generation of a wide range of reports and analysis to inform program planning and management, as well as the refinement of program design. This system thus aims to: (i) contribute to improved targeting, coverage, harmonization and monitoring of service delivery and payments; (ii) reduce the cost of consolidating data from across many systems, which are currently mainly manual, cannot communicate with each other and are very labor intensive to maintain; (iii) act as enabler of accountability and control of processes; (iv) enhance program management and the ability to harmonize SP interventions to facilitate graduation from poverty; and (v) be aligned with critical SP objectives.

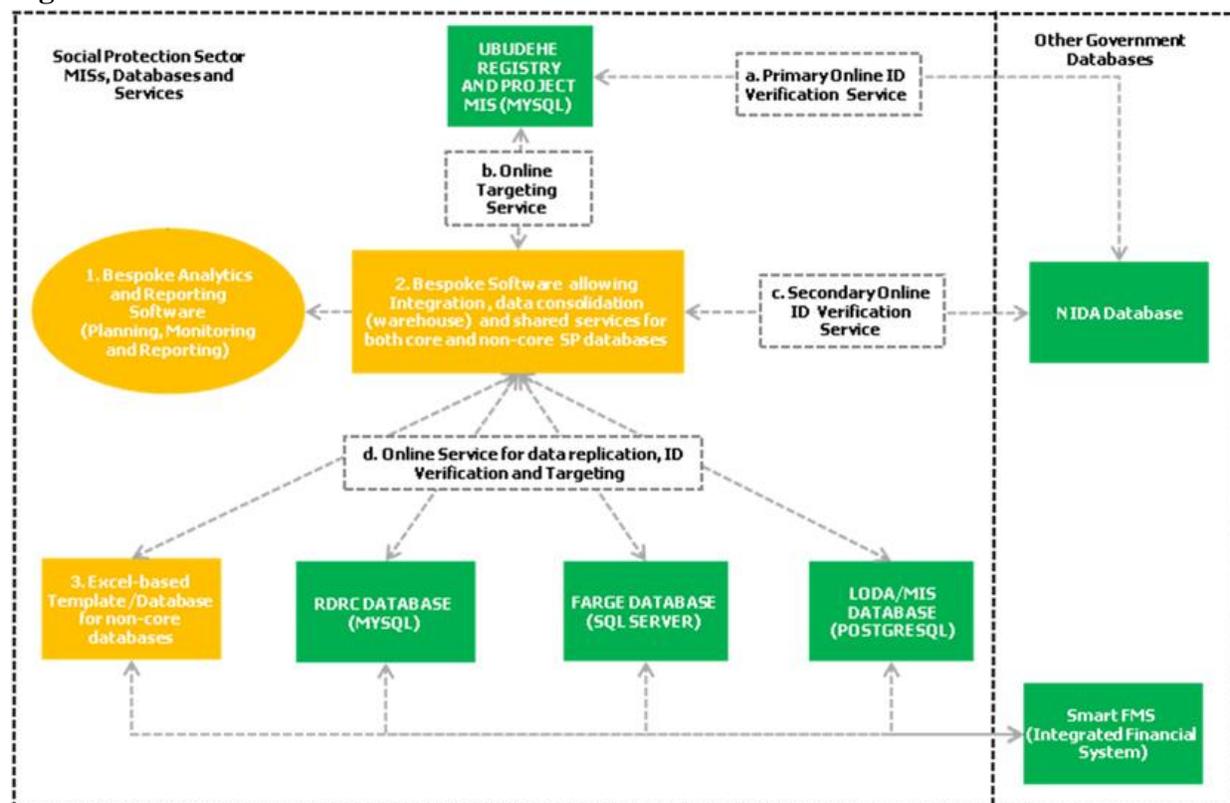
64. **Under SPS-1, the Government built on the established policy framework and vision statement and approved short-, medium-, and long-term objectives for an iSP-MIS.** In the long-term (2018), the objective is to establish a fully operational, comprehensive information technology architecture (comprised of a range of autonomous but inter-connected program-level management information systems) that automates program operations (targeting, payments, grievance management, etc.) and supports more effective cross-sectoral monitoring, evaluation, and coordination and harmonization of service delivery.

65. **Under SPS-2, the iSP-MIS Technical Committee, through the leadership of MINALOC, has finalized, validated, and adopted the iSP-MIS technical system specifications and a costed roadmap.** This iSP-MIS will be an integrated MIS, linking the Ubudehe database to verify socioeconomic eligibility for VUP and other social protection programs and to program specific registries and MISs (VUP, FARG and RDRC to begin) through the use of a single unique identifier (Figure 1 below). The National Social Protection Registry (NSPR) is a database of individuals and households enrolled in social protection programs, and their associated benefit details, cross-referenced using their national identification numbers. The iSP-MIS is the system created through the establishment of the NSPR linked to analytics and reporting software that allows the automated production of progress and performance reports using data from multiple program-level management information systems. Some program MISs are being developed or upgraded and others are already developed and well designed (RDRC) and are being integrated into the iSP-MIS in their current state.

66. **Under SPS-3, the Government has established a structure for the National Social Protection Registry with web-based graphical interfaces for communication across social protection programs and has developed protocols on staffing, roles and responsibilities for the use and maintenance of the integrated iSP-MIS.** This translates into a strong technical and functional foundation for the iSP-MIS, with an eye toward sustainability reflected in staffing

structures at the central and local levels.

**Figure 1: Rwanda’s iSP-MIS Architecture**



Source: Inception Report Specifications for Rwanda’s Integrated Social Protection Management Information System (iSP-MIS), January 2016, p.3.

67. **Since the technical system specifications were finalized, the iSP-MIS design has been further advanced.** The NSPR database structure and the Graphical User Interface has been designed for each of the system’s main functional areas. This means the system is fully ready to start linking program-level MISs, including RDRC, Ubudehe and VUP and be operational for those programs. The design of the NSPR and user interface, a detailed replication strategy, the development framework and other topics are documented within a System Design Document, which has been approved by MINALOC Senior Management. Staff roles and responsibilities for the use and maintenance of the iSP-MIS have also been elaborated. Finally, there are several ongoing initiatives to ensure privacy of data. A data management policy for *Ubudehe* is under development, data access levels are being defined (including the identification of only a few super users who can access sensitive data), and all staff accessing the data will be required to sign a code of conduct. The finalization of the linkages between *Ubudehe* and NIDA, the development of the NSPR and iSP-MIS, and the now live link between those systems and program MISs marks a huge accomplishment in the evolution of the iSP-MIS from a complicated concept to a full functioning system that will shortly increase efficiencies and accuracy of managing various SP programs.

68. **Finally, work is ongoing to either develop or link existing MISs to the new iSP-MIS.** Specifically, MINALOC is in the process of supporting RDRC in a number of preparatory activities, including normalizing their database and developing a more detailed operations procedures manual and M&E framework. MINALOC will work with RDRC to develop a user

interface for their MIS that will ensure that operations staff are able to enter data on all benefits and services directly into the RDRC MIS. Similar actions are being undertaken with respect to ensuring the LODA Monitoring, Evaluation and Information System (MEIS) components are up to date and functional. Finally, VUP is developing a detailed operations manual for the VUP, which includes all of its new components, such as expanded Public Works and the Asset Transfer program, amongst others. The VUP MIS, as part of the MEIS, will be designed to include these new processes and programs.

***Area (iii): Increased harmonization across social protection programs***

- *SPS-1 Prior Action #3: MINALOC to issue policy guidelines to decentralized entities as to which benefit to allocate to households eligible for more than one social protection program, with no duplicate benefit from FARG and VUP Director Support (completed)*
- *SPS-2 Prior Action #3: MINALOC to develop and adopt policy guidelines for a minimum package to support graduation, including harmonizing income-generating activities across selected SP programs (completed)*
- *SPS-3 Prior Action #3: MINALOC to implement a pilot of the minimum package for graduation in 30 sectors, including harmonizing income-generating activities across selected SP programs (completed)*

69. **Under SPS-1, MINALOC issued policy directives aimed at addressing duplication, notably between unconditional direct support grants from FARG and VUP.** This directive eliminated the possibility of receiving duplicate benefits from the FARG genocide survivors program and the relatively new VUP poverty-targeted flagship social assistance program. As FARG and VUP are the largest programs in the SP sector (see Table 5) this policy directive was critical to harmonizing benefits and eliminating overlap.

70. **In line with the policy focus on graduation, SPS-2 introduced support to policy reforms for harmonizing income-generating activities across selected social protection programs as part of a graduation ‘package’.** The Government of Rwanda defines graduation as a sustained exit from extreme poverty. The graduation ‘package’ provides beneficiaries with a minimum number of days of public works defined annually (currently 72 days), increased from an average of 65 in FY2015/16. Additional components of the minimum package include health insurance, timely payments, and three continuous years of engagement in public works.<sup>16</sup> Households are supported by a case worker to facilitate access to these services and promote graduation. Under SPS-3, further harmonization was achieved between the VUP income support programs and the MINAGRI livestock asset transfers programs on targeting, benefits, norms and capacity building to avoid duplication across substitute programs and to promote synergies across complementary programs.

71. **Under SPS-3, the Government has implemented a pilot of the Minimum Package for Graduation in 30 Sectors, which harmonizes income generating activities across selected social protection programs.** The graduation package targets beneficiaries of the VUP Public

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<sup>16</sup> With technical assistance from the Rapid Social Response fund, a review of these programs’ basic functions and specifications has been coupled with an assimilation of existing evidence on performance and lessons from national and international sources. These reviews serve as an input to the active programmatic development of a coordinated approach for promoting graduation. The programs reviewed include VUP financial services, FARG income generating activities, the *Ubudehe* income generating activities; the Rwanda Demobilization and Reintegration Program (RDRP) income generating activities, MINALOC’s earmarked transfers to districts, the GIRINKA one cow program, MINAGRI’s LWH/RSSP projects and MIGEPROF’s income generating activities.

Works with labor capacity and to a lesser extent VUP and FARG direct support beneficiaries. The planned pilot will last for three years with and will be evaluated at its conclusion to determine the final minimum package design and the plan to scale up the minimum package to other sectors in future years.

72. **Pillar 1 Expected Results:** The policy reforms from the SPS series are expected to contribute to an improved, more effective and efficient social protection system for identifying and registering poor and vulnerable households and contribute to improved harmonization across SP programs. This will support improved effectiveness and efficiency not only in the management of social protection programs, but will also improve the management of the wide range of poverty-targeted social programs using *Ubudehe*. Having a fully functional linkage between the national population registry (NIDA database), *Ubudehe* database, and iSP-MIS will allow MINALOC to verify the identity of beneficiaries, leading to improved efficiency. Currently there is no automated verification mechanism in the system to be able to track beneficiaries across programs or means to easily verify continued eligibility after life events and socioeconomic and geographic changes. This is carried out manually, with periodic national surveys, and is very costly and inefficient. This linkage should reduce duplicate benefits and assist in payments tracking, and allow for longitudinal tracking of beneficiaries for monitoring graduation and other socioeconomic changes as well as program evaluations. Without having a common unique identifier across programs, this functionality will not be possible. Increased harmonization across social protection programs will also take place, including training staff on program eligibility, which will result in efficiencies by reducing overlap between programs once staff identify ineligible beneficiaries or beneficiaries benefiting from multiple programs, and ensuring better coordination across income generating programs to make sure interventions are synergistic. Finally, the reforms will result in stronger, clearer support for improving income generation and livelihoods among the poorest – a key input for improving efficiency and for supporting Rwanda’s policy focus on graduation.

73. These results are reflected in results indicators (i) on the % of individuals over 16 in the *Ubudehe* database matched to a national ID, which measures the harmonization between the databases and allows for national identity to be clearly established for those in the *Ubudehe* database; and (ii) the number of core SP programs (of the 4 discussed in Section 3) linked to the iSP MIS; while (iii) on the % of targeted local government staff trained on SP program eligibility concerns related training and capacity building that was supported under SPS-1 and remains ongoing.

## ***PILLAR 2: ACCOUNTABILITY AND TRANSPARENCY***

74. **As stated in the Country Partnership Strategy 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.** The focus areas of the reforms in Pillar 2 are: (i) enhanced transparency and accountability through SP budget reporting, discussion and dissemination; and (ii) strengthened citizens' engagement.

**Area (i): SP budget reporting and dissemination**

- *SPS-1 Prior Action #4: MINECOFIN to produce consolidated Social Protection budget identifying the social protection programs (completed)*
- *SPS-2 Prior Action #4: MINALOC and MINECOFIN to document, publish and discuss the SP consolidated budget allocation and execution through primary dissemination channels (completed)*

*No prior action in this area under SPS-3*

75. Under SPS-1, the Government of Rwanda defined the program composition of the social protection sector and the Ministry of Finance and Economic Planning (MINECOFIN) produced a consolidated SP budget allocation and execution for the main social protection programs. Under SPS-2, this consolidated budget information has been expanded to include information on SP programs linked to the Chart of Accounts. Furthermore, the budget information from the Chart of Accounts providing information on both national and district level budgets has been made accessible to the public through the MINALOC website. In order to continue strengthening access to information on social protection expenditures, MINALOC and MINECOFIN have documented, published discussed and disseminated the SP consolidated budget allocation and execution through primary dissemination channels including MINALOC’s website, Joint Sector Reviews, Sector Working Groups and district public accountability days. At the district level, where budgets are closely linked to districts’ *imihigo* performance contracts, MINALOC has published both the *imihigos* and social protection budgets for each of the 30 districts in Rwanda. This policy reform has strong support among development partners and is a notably useful element when using a DPO lending instrument.

**Area (ii): Strengthened citizens’ engagement**

- *SPS-1 Prior Action #5: Cabinet to approve revised structure for expanded staffing at district and sector local government levels (completed)*
- *SPS-2 Prior Action #5: MINALOC to develop and implement a curriculum for targeted district and sector local government staff to strengthen citizens’ engagement in the delivery of social protection programs (completed)*
- *SPS-3 Prior Action #4: MINALOC to implement and monitor a citizen appeals and complaints system, including web-based and SMS platforms (completed)*

76. The strengthened citizens’ engagement area centers on a substantial expansion of local government staffing with accompanying capacity building to engage citizens more closely and the introduction of core tools to support citizens’ improved engagement. Under SPS-1, the expansion of staffing at district and sector local government levels was part of a revised structure approved by Cabinet to strengthen government presence in local jurisdictions.

77. Under SPS-2, MINALOC, as stipulated in their Social Protection Implementation Plan, has developed and implemented a comprehensive capacity building action plan and curriculum for upgrading the skills of the targeted local government staff aimed at improving their own and citizens’ understanding of and engagement in a range of activities and programs, including social protection programs. MINALOC has prepared a curriculum for conducting the planned training of the targeted local government staff, with a focus on local government staff roles and responsibilities in implementing VUP and including modules on: principles of social

protection and VUP, targeting, safety nets, exit and graduation guidelines and strategies to enhance graduation, communication, accountability, appeals and complaints, budgeting and finance, etc. This will result in further strengthened citizens' engagement by sensitizing the community about the key social protection programs and the roles of different stakeholders. Following completion of the training, a final report was issued comprising the curriculum and relevant modules, as well as the sector coverage and a list of the local government officials trained.

78. **This capacity building is particularly important in the context of expanded local staffing, enhanced decentralization and the role of MINALOC as the lead agency for local development and social protection.** While central government provides national leadership and co-ordination on social protection, responsibility for implementation has been rapidly devolved to districts and will continue to grow as social protection programs expand. The National Social Protection Strategy (NSPS) proposes mainstreaming and building capacity for those responsible for championing the social protection sector and its interventions at the district level. The MINALOC staff working on social protection will be responsible for supporting districts so that capacity and systems are put in place. Both institutional and human capacity will continually be strengthened to deliver on social protection outcomes over time.

79. **Under SPS-3, policy reforms are centered on the introduction and use of expanded appeals and complaints mechanisms.** This provides an enabling environment for citizens to participate in decision making processes, in program activities, and in the monitoring of the implementation of agreed actions, taking advantage of the expanded staff at local government levels. MINALOC will continue conducting in-depth training for local government staff aimed at promoting and strengthening citizens' engagement by sensitizing the community about the key social protection programs and the roles of different stakeholders.

80. **Having an accessible, efficient and responsive Appeals and Complaints Handling Mechanism (ACHM) is important to ensure accountability of the Government's social protection system and is in line with the GoR's emphasis on accountable governance.** Such ACHMs will also help to identify and resolve implementation problems of the program in a timely and cost-effective manner. It will enable citizens to complain to an impartial entity and also serves as early warning systems that would help to identify and address potential problems before they escalate, and to avoid more expensive and time consuming disputes. In this regard, MINALOC has approved the national roll-out of an appeals and complaints mechanism for LODA-administered social assistance programs and monitors its implementation in all operational sectors.

81. In addition to implementing the approved appeals and complaints mechanism, MINALOC is implementing and monitoring a telephone-based SMS system for appeals and complaints as part of a broader Citizens' Complaints System to complement the toll-free telephone number that was introduced during the last DPO series. Recently, a web-based complaint mechanism was added. This system has been designed to help citizens to lodge complaints on social protection programs (notably the VUP Direct Support, Public Works, and Financial Services as well as the *Ubudehe* program) and raise different issues on other programs coordinated by LODA, country wide. The system is integrated in the existing LODA MEIS as a specific module for the Citizens' Complaints System. The system has been configured to provide feedback to complainants through SMS or by logging onto the system online and will allow LODA to view, monitor and report on the status of complaints received, actions taken, and complaints resolved as well as resolution time-frames.

82. **Pillar 2 Expected Results:** It is anticipated that these policy actions will bring about a greater emphasis on accountability and transparency through SP program definition, budget

reporting and strengthened citizens' engagement, notably at the local levels given the ongoing, extensive fiscal and program decentralization. This is an important foundation for the consolidation of the social protection sector and a useful input for effectively managing the range of SP programs, making clear information available to government actors, development partners and citizens on budget flows and execution and strengthening the capacity of local government staff. In line with the CPS and Rwanda's emphasis on accountable governance and support of decentralized service delivery, this pillar will enhance and strengthen the engagement of citizens to support improvements in service delivery and accountability at the various levels of government. Building on the rapid expansion of local government staff, this capacity building will strengthen citizens' rights and ensure that adequate channels are available for feedback from beneficiaries of social protection programs and civil society more broadly. MINALOC already has a national appeals and complaints mechanism in place for key social protection programs, including a toll-free number, and monitors its implementation in all operational sectors. The SMS system is an added tool that would allow for better monitoring of citizens' concerns (by keeping record on the types of complaints registered) and addressing them in a timely manner. It will also provide for strengthened transparency and support LODA to fulfil its new mandate by connecting citizens, districts and LODA through a web-based monitoring and publicly accessible feedback system, increase the communication options for citizens to inform local governments about their concerns and request information from the accountable entities, contribute to strengthening sustainability and the quality of service delivery by referring to social protection projects, and helping citizens to complain about Social protection.

83. The results of these reforms are tracked as outputs under results indicators (iv) on the % of districts reviewing SP budgets during accountability day events which are the main fora at the district level for reviewing targets and district performance including as part of the review of *imihigo* contracts; and (v) on the % of primary appeals that have been resolved at first instance at sector levels within two weeks in VUP Sectors to measure responsiveness to citizens' grievances.

### ***PILLAR 3: COVERAGE OF POOR AND VULNERABLE***

84. **The objectives of the reforms in Pillar 3 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) as is envisaged in key policy directives aimed at addressing the severe child development deficit in Rwanda, including the 38 percent 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; (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.

*Area (i): Estimated coverage of VUP in line with national targets*

- *SPS-1 Prior Action #5: MINALOC AND MINECOFIN to approve plan and budget for expansion of VUP in FY 15 (completed)*
- *SPS-2 Prior Action #6: MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY16 (completed)*
- *SPS-3 Prior Action #5: MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY17 (completed)*

85. **Ensuring increased coverage of the extreme poor and of vulnerable groups by the social protection system in line with national goals continues to be one of the key challenges facing the social protection sector in Rwanda.** The DPO series supports the efforts of the Government of Rwanda to continue to expand coverage of SP, notably through the flagship VUP program. In addition to increased resources, improved coverage also requires enhanced targeting, so that a larger share of the available resources reaches the extreme poor and vulnerable. In this regard, the VUP programs will be scaled up to reach national coverage by the end of the EDPRS-2 period and end of this DPO series.

86. **The expansion of the flagship VUP program has continued, with needed reforms being introduced to Public Works.** The scale-up of Direct Support (DS) components remains in line with the commitments made under the NSPS-2 and EDPRS-2, i.e. full coverage in 2015/16. The Public Works (PW) component will increase coverage from 210 sectors to 240 sectors in 2016/17. The financial services component coverage is expected to increase from the current 240 to 270 sectors in 2016/2017.<sup>17</sup> The continued anticipated scale-up of VUP will require increased, sustained and predictable budget commitments from the Government. This will need to be accompanied by improvements to the operational aspects of poverty targeting especially in public works programs where the errors of inclusion and exclusion are more prevalent than in the direct support grants, as well as continued efforts to improve the labor intensity of public works. Revisions to VUP are currently being developed which will be consolidated in a new VUP program document.

87. **Scale-up of VUP is being complemented by the rollout of reforms in geographical targeting.** The scale-up plan and budget expansion of VUP is being rolled out so that, rather than adding one new sector in each district in each year, scale-up is determined by poverty levels within a district (based on EICV data). In the poorest districts, VUP is being rolled out more quickly across geographical sectors than in the better off districts.

88. **The VUP budget has been approved by Cabinet as part of the national budget and ratified by Parliament, in line with planning and budgeting norms and regulations.** The preparation of the annual national budget involves consultations between budget agencies (including line ministries such as MINALOC) and MINECOFIN, based on strategic priorities. When budget consultations are finalized, the Minister of Finance and Economic Planning submits the proposed national budget to Cabinet for the fiscal year under preparation as well as expenditure projections for the next two fiscal years. On approval by the Cabinet, the proposed Finance Law and related budget documentation are submitted to Parliament. Once approved, budget agencies receive an appropriation of funds in line with the Finance Law. This has included increased funding for VUP program scale up, following strategic priorities and the parameters set by the national

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<sup>17</sup> There are 30 districts 416 sectors in Rwanda.

Medium Term Expenditure Framework.

***Area (ii): Improved design of VUP with respect to testing improvement in poverty targeting***

➤ *SPS-1 Prior Action #7: MINALOC to adopt procedures to enhance community participation in Ubudehe household classification process and launch testing of poverty scorecard (completed)*

*No prior action in this area under SPS-2 and SPS-3*

89. **Rwanda has been working to improve the effectiveness of poverty targeting within elements of its social protection system.** Building on ongoing system reforms, the current *Ubudehe* update (referenced under Prior Action #1) includes reforms to the community-based classification of poor households as well as the introduction of a new 13-question based set of criteria developed through national consultations to aid in socioeconomic classification. *Ubudehe* is a community-based mapping and registration exercise in which all households in Rwanda are assigned a poverty category. The previous ratings ranged from 1 (the poorest of the poor) to 6 (the “money rich”) with the bottom two *Ubudehe* categories being eligible for social assistance. To improve accuracy of the socioeconomic classification process and subsequent targeting for social protection programs, the GoR recently reduced the number of *Ubudehe* categories from 6 to 4, with the first category being prioritized for certain social protection services. A new set of criteria and indicators to guide the categorization of households into the four new categories were developed through a national consultative processes, not through an analysis of the EICV household survey data collected to measure poverty and living standards (an approach often used to develop a proxy-means based scorecard). The piloting of a poverty scorecard, agreed under SPS-1, is currently being discussed.

***Area (iii) (NEW): Reform to flagship VUP program to ensure better alignment with needs of poor and vulnerable populations***

➤ *SPS-3 Prior Action #6 (NEW): MINALOC to approve the revised VUP program (completed)*

90. **The design of the flagship VUP program is being revised to better meet the needs of target beneficiaries and to more effectively and efficiently work towards graduation from poverty.** Prior Action #6 was thus added to reflect this progress. The recently approved revised VUP program document introduces the following changes along the following themes:

- *Improving the relevance, efficiency and effectiveness of the VUP safety net component:* (i) changes to geographic targeting and budget allocation between VUP sectors to improve the VUP’s responsiveness to better respond to geographic variations in poverty; (ii) revision of eligibility criteria and targeting procedures for the various sub-components to align the VUP with the revised *Ubudehe* classification system and reduce exclusion of the most vulnerable households; (iii) introduction of nutrition support services ; introduction of the Expanded Public Works scheme to increase the accessibility of VUP Public Works to moderately labor-constrained households (particularly female headed households containing young children) while providing more regular and reliable employment; (iv) revision of VUP PW guidelines to guarantee a minimum number of days’ employment per year for participating households; (v) strengthening of budgeting and financial

management procedures to improve the VUP's ability to respond to shocks; and (vi) establishment of partnerships with Umurenge SACCOs for the delivery of regular, reliable and accessible payments to VUP beneficiaries.

- *Accelerating sustainable graduation from extreme poverty:* (i) introduction of an asset transfers scheme; (ii) introduction of a formal skills development sub-component for technical and vocational skills training for extremely poor households that wish to engage in commercial agriculture or initiate off-farm micro-enterprises; (iii) the establishment of proximity advisory services (also known as a 'caseworker' mechanism) and implementation of a high quality public communications strategy to increase VUP beneficiaries' awareness of their rights and responsibilities and access to information; (iv) expansion of the VUP Financial Services sub-component to include provision of micro-credit and financial education' facilitated access to business development services, and support to access relevant insurance products such as crop and livestock insurance; and (v) enhanced coordination of the VUP with other government and non-governmental programs and services.
- *Enhancing capacity for program management and M&E:* (i) embed the VUP within newly established local government structures; (ii) strengthen capacity for national level program management and oversight; (iii) strengthen the VUP monitoring and evaluation framework and systems; and (iv) introduction of a high quality, automated VUP MIS as a module of the MEIS, linked to the social protection sector iSP-MIS, as well as the *Ubudehe* MIS.

***Area (iv): Improving the gender and child sensitivity of SP programs to promote child development; and expanded policy role for social protection in early childhood development.***

- *SPS-1 Prior Action #8: MINALOC to conduct policy study and identify policy options for improving gender and child sensitivity of SP programs (completed)*
- *SPS-2 Prior Action #7: MINALOC to adopt plan for selected option(s) for improved gender and child sensitivity of SP programs (completed)*
- ***SPS-3 Prior Action #7: Cabinet to approve National Early Childhood Development (ECD) policy (completed)***

91. **Rwanda's National Social Protection Strategy and its flagship VUP program outline mandates a focus on child-sensitive social protection programs, but this directive has yet to be operationalized.** Developing child and gender sensitive social protection is part of policy directives aimed at addressing the severe child development deficit in Rwanda, including the 38 percent rate of malnutrition among children under the age of five. Social protection has also been identified as one of the core areas for mobilization under Rwanda's new ECD policy, a focus that had earlier not been included in ECD dialogue. There is now a strong policy directive in Rwanda to more fully harmonize ECD and SP approaches.

92. **Under SPS-1, MINALOC developed and identified a set of policy options to increase the gender and child sensitivity of social protection programs, in line with national mandates and policies, and under SPS-2 several options were adopted, with a focus on reforming public works.** The Government of Rwanda has introduced reforms which are currently being piloted to (i) provide VUP public works opportunities that are more gender sensitive, particularly less labor intensive opportunities for pregnant and lactating women, including: flexible road maintenance, employment in home-based early childhood development centers, and employment as support

workers in formal early childhood centers; (ii) establish mobile crèches or child care services at public works sites to ensure the safety of children during the caregiver’s work and to make public works more accessible for mothers; and (iii) link VUP beneficiaries to other programs, notably ECD programs and services delivered through the Ministry of Gender and Family Promotion (MIGEPROF) and the National Commission for Children (NCC) – which include home visits, center-based support and community-based services – as well as nutrition programs. Senior officials within MINALOC have engaged a range of stakeholders from government, civil society and development partners in dialogue and in a set of workshops to develop these options.<sup>18</sup> UNICEF has supported the development and initial pilots of these reforms. The focus on improving the gender and child sensitivity of Public Works will also serve as an entry point for needed reforms to strengthen the predictability and labor-intensity of the VUP public works program – areas that have been identified as needing reform.

93. **A new Early Childhood Development Policy which includes a focus on social protection has been developed and adopted by the Cabinet (May 2016).** This policy states the “The GoR commits to preside over a fundamental change in the ways and means of delivering ECD services to the intended beneficiaries. This change is anchored in three core principles of integrated planning, holistic interventions, and a participatory approach to delivery of interventions across education (formal and informal), health, nutrition, water, sanitation and hygiene, and child and social protection.” The policy interventions are developed carefully to suit the interest of the following beneficiaries: (1) Young children from conception to six years age; (2) Parents whether biological or legal, and other primary caregivers; and (3) Supporters and promoters of ECD Programs, as well as government agencies. The inclusion of elements specific to social protection in the policy point to the need to mobilize social protection for early childhood development and underscore the importance of cross-sectoral collaboration.

**Box 1: ECD Policy Mission, Vision, Goal, Objectives, Policy Principles, and Policy Issue Addressed**

<b>Mission</b>	To establish and implement interventions that supports effective Early Childhood Development for children from conception to 6 years in Rwanda.
<b>Vision</b>	A population of young children with integrated early learning and development opportunities in an informed, empowered and responsive community.
<b>Goal</b>	To achieve a healthy, safe and knowledge rich infant population with the highest chances of survival to become successful as well as responsible citizens.
<b>General Objective</b>	To ensure improved quality and equal access to Early Childhood Development Services by all the intended beneficiaries in a clear, coordinated and sustainable manner.
<b>Specific Objectives</b>	<ol style="list-style-type: none"> <li>1. To increase children’s preparedness to cope with primary school environment</li> <li>2. To enhance positive parenting and community participation in child protection</li> <li>3. To reduce malnutrition and stunted growth among young children</li> <li>4. To reduce under 5 and maternal mortality rate</li> <li>5. To develop children’s self-awareness, self-esteem and self-confidence</li> <li>6. To eliminate physical, moral and psychological abuse of young children</li> <li>7. To enhance equal access by children with special needs to services offered under ECD</li> </ol>
<b>Policy Principles</b>	<ul style="list-style-type: none"> <li>• Holistic/All-Inclusive Service Provision</li> </ul>

<sup>18</sup> This work is being closely coordinated with UNICEF and has benefited from support from the Rapid Social Response trust fund and a grant from the Early Learning Partnership Program carried out in collaboration with the Harvard School of Public Health and Partners in Health. This has included a series of consultations and the development of models and options reviewed by the Government of Rwanda.

	<ul style="list-style-type: none"> <li>• Integrated Planning</li> <li>• Non-discrimination</li> <li>• Parents at the center of care giving</li> <li>• Gender equality</li> </ul>
<b>Policy Issues Addressed</b>	<ul style="list-style-type: none"> <li>• Unclear coordination and reporting framework</li> <li>• Lack of approved minimum operating standards</li> <li>• Inadequate human resources</li> <li>• Multiple ECD models</li> <li>• Inadequate infrastructure</li> <li>• Program sustainability</li> <li>• Limited attention to children with special needs</li> <li>• Limited attention to informal early childhood needs (0-3 years)</li> <li>• Attention to vulnerable families and children</li> </ul>

Source: Government of Rwanda: [http://www.migeprof.gov.rw/uploads/media/EARLY\\_CHILDHOOD\\_DEVELOPMENT\\_POLICY\\_2016.pdf](http://www.migeprof.gov.rw/uploads/media/EARLY_CHILDHOOD_DEVELOPMENT_POLICY_2016.pdf)

94. **The VUP program reforms in Policy Action #6 also support a stronger focus on gender and child sensitive social protection**, notably with the inclusion of nutrition support services and of an Expanded Public Works scheme to increase the accessibility of VUP Public Works to moderately labor-constrained households, particularly female headed households containing young children.

95. **The policy directives in the new ECD policy as well as the future direction of VUP are contributions to the new national emphasis on combating malnutrition, with an initiative being coordinated by MINALOC as the lead agency in the new National Nutrition Secretariat.** This new initiative is currently taking shape but will engage a number of ministries and include a strong focus on child sensitive social protection.

96. **Pillar 3 Expected Results:** The series of prior actions for this pillar would ensure an expanded coverage of the flagship VUP program, in line with Vision 2020 goals for national coverage by year 2018. Beyond coverage, the policy actions in this pillar will introduce reforms in poverty targeting through use of the new, updated *Ubudehe* classification system by a range of social sector programs, within and beyond social protection including in health insurance and education subsidies. Finally these reforms will improve the gender and child sensitivity of SP programs, in line with national goals in both the Early Childhood Development and Social Protection policies. The result of these policies is that ECD interventions will be better coordinated across various ministries and at the local level, allowing for the implementation of cross-sectoral packages that will address the multi-dimensional nature of ECD.

97. The outputs from these efforts are reflected in results indicators (vi) on the % of geographical sectors covered by VUP in the poorest 30% of districts, examining the prioritization of the poorest areas using a district level poverty map and reflecting the prioritization of poor areas for the expansion of VUP coverage during the SPS series; and (vii) VUP coverage by geographical sector and households, speaking to the steady expansion of VUP.

### ***ANALYTICAL UNDERPINNINGS***

98. **This DPO series draws upon analytical work undertaken by the World Bank and**

**development partners active in the SP sector.** In its analysis of Rwanda’s social protection system, the SPS DPO draws on analytical work conducted by the World Bank entitled “Rwanda Safety Network Assessment” completed in 2012. The assessment established that: (i) there are clearly gaps in the level of current coverage (although once VUP scales up as planned, that program alone would be expected to cover around 18 percent of the population); (ii) the current levels of support provided through public works (in terms of the size of transfers received by households) are very small, and therefore the social protection provided by that component of VUP is in practice smaller than originally envisaged in the program; (iii) the lack of a coordinated MIS system hinders the ability to effectively monitor implementation of social protection programs; and (iv) the timeliness and predictability of transfers under VUP needs to be addressed.

99. **An impact evaluation of the VUP program** revealed important achievements, as well as areas needing additional attention:<sup>19</sup>

- VUP is generally well received by the population with over 80 percent of the respondents in the program area agreeing that VUP is well managed and structured;
- There are significant discrepancies in the levels of financial support across VUP programs, with public works beneficiary households receiving an average transfer of 55,000 RwF per year (for an average of two months of work) versus an average of 160,000 RwF per year for direct support beneficiaries;
- 70 percent of the PW and 92 percent of DS beneficiaries are correctly targeted according to their self-reported *Ubudehe* status. However, official versus self-reported *Ubudehe* categories are hard to reconcile with either the *Ubudehe* database or the targeting lists;
- With respect to impacts, DS beneficiaries show significant improvements of 0.2 meals per day, raising the average from 1.5 to 1.7 meals per day. Although there is no similar increase among public works beneficiaries, both types of VUP households benefit from an increase in food expenditures;
- VUP has resulted in higher rates of school attendance among beneficiary households and a 10 percent higher health insurance enrollment rates for direct support beneficiaries;
- 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;
- With respect to VUP’s financial services, access and use of loans among VUP beneficiaries is still limited (which also limited sample sizes and generalizability of the findings), but among those households who had accessed financial services, the loans were used for consumption and to repay existing loans.

100. **The World Bank Poverty Assessment analyzed contributions to poverty reduction and found that social protection support, in particular through VUP, was perceived as having had a positive impact on improving household conditions.** This was a key finding in the qualitative work (VUP coverage was not high enough at the time of the EICV to generate a representative sample of VUP beneficiaries). From the qualitative study, participants in lower *Ubudehe* categories felt the program provided a key source of employment for youth, who have been employed in terracing and road construction through Public Works. It has also provided an income source for the vulnerable and elderly, particularly through Direct Support.

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<sup>19</sup> Hartwig, Renate “The Vision 2020 *Umurenge* Program: Impact Evaluation Report” – World Bank, July 2014.

101. This operation also draws on the recommendations of numerous other studies which have helped guide the reforms proposed in this program, including studies from the World Bank, DfID and UNICEF.

**Table 7: SPS-3 Prior Actions and Analytical Underpinnings**

Prior actions-SPS-3	Analytical Underpinnings
<b>Pillar 1: Efficiency of the Social Protection System</b>	
Prior action #1: LODA to ensure that the updated Ubudehe national household poverty database is operational, including a fully functional interface with the NIDA database	<ul style="list-style-type: none"> <li>-Social Protection National Harmonization Policy (2012),</li> <li>- World Bank’s Africa Social Protection Strategy (2012-2022)</li> <li>- EDPRS-2 (July 2013)</li> <li>- NSPS-2 (July 2013)</li> <li>- <i>Ubudehe</i> Reviewed Categories and Categorization Process (June 2014).</li> <li>- Hartwig, Renate “The Vision 2020 Umurenge Program: Impact Evaluation Report” – World Bank, July 2014.</li> <li>- Rwanda Poverty Assessment – World Bank (2015),</li> <li>- Maria Laura Sanchez Puerta ,“Stocktaking of Income-Generating Activities (IGA) For the Poor and Vulnerable In Rwanda”-World Bank, draft (November 2014)</li> </ul>
Prior action #2: MINALOC to (i) establish structure of the National Social Protection Registry (NSPR); (ii) design a web-based graphical user interface for communication across programs; and (iii) develop protocols on staffing, and roles and responsibilities for use and maintenance of the MIS	
Prior action #3: MINALOC to implement a pilot of the minimum package for graduation in 30 sectors, including harmonizing income-generating activities across selected SP programs	
<b>Pillar 2: Accountability and Transparency</b>	
Prior action #4: MINALOC to implement and monitor a citizen appeals and complaints system, including web-based and SMS platforms	<ul style="list-style-type: none"> <li>-Rwanda Social Safety Net Assessment (March 2012), -</li> <li>-Rwanda: VUP Wage Setting: Policy to Practice (2013),</li> <li>- Investment in Social Protection in Rwanda – Save the Children (draft,2015),</li> <li>- Protection to Production (PtoP)- FAO (2015)</li> </ul>
<b>Pillar 3: Coverage of Poor and Vulnerable</b>	
Prior action #5: MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY17	<ul style="list-style-type: none"> <li>- Child-Sensitive Social Protection in Rwanda; Options Paper. UNICEF (July 2014)</li> <li>- EDPRS-2 (July 2013)</li> <li>- NSPS-2 (July 2013),</li> <li>- EICV3 (2012)</li> <li>-EICV 4 (2015)</li> <li>- Qualitative Research Study In the Framework of the Rwanda Poverty Assessment; The World Bank (August 2014),</li> <li>- Gender Audit of VUP Public Works, UNICEF (December 2013)</li> <li>- Demographic and Health Survey (DHS-3) 2015</li> </ul>
Prior action #6: MINALOC to approve the revised VUP program	
Prior action #7: Cabinet to approve National Early Childhood Development (ECD) policy	

### 4.3 AREAS OF POTENTIAL FUTURE ENGAGEMENT

102. **Following the achievements under the past three series of DPOs, the Government of Rwanda has begun to identify priorities for the Social Protection Sector going forward.** It is clear that the SP sector in Rwanda is now mature and its foundation well established. It is an opportune time to build on the policy-based reforms which supported the inception and

establishment of the SP sector in order to focus on results and fine-tuning to meet evolving goals. EDPRS, the NSPS and the Social Protection Policy will be updated in 2018. Very preliminary discussions have begun with the GoR on focus areas for future World Bank engagement. These focus areas are drawn from the GoR's priorities for strengthening social protection, reflect the Sustainable Development Goals, and build on previous successes:

- *Nurturing and strengthening of social sector delivery systems as they mature will be central to the efficient and effective functioning of the SP system, especially as these delivery systems are poised to serve a growing number of programs.* The area of delivery systems is established, but remains in an early stage of implementation. The revised Ubudehe system will need to be assessed with respect to its poverty targeting. The Ubudehe registry will just be starting to function and will be dependent on large surveys for updates. The iSP-MIS will need to expand to encompass a broader range of programs. And there is room for updating payments systems both to improve the efficiency of SP programs and to promote financial inclusion.
- *Continued reform, strengthening and expansion of the VUP as the flagship program in Rwanda's SP efforts.* The new VUP program document (supported as Prior Action #6) identifies core areas of needed reform and charts an ambitious course for the program which will need continued technical and financial support.
- *In the area of building a dynamic social protection system, graduation and productive inclusion will remain central to the policy dialogue and to SP program focus.* The VUP minimum package pilot currently being implemented in 30 sectors with a strong focus on coordination across programs with the support of household-specific plans, is the future of the flagship program and needs to be monitored and evaluated for assessing its performance, notably with respect to creating assets and building resilience.
- *Social protection can make a central contribution to the Government of Rwanda's priority of addressing malnutrition and investing in young children.* There is room for deepening the focus of SP programs on vulnerable children and families, including in the context of the new national initiative on malnutrition. The National Nutrition Secretariat was recently formed and will be housed in MINALOC. This secretariat will need technical and financial support to assist it in implementing the new joint action plan to eliminate malnutrition. There is a clear role for SP in achieving this new national mandate as outlined in the revised VUP program document.
- *There is scope for further harmonization across programs and for addressing issues of fiscal sustainability.*
- *In the area of transparency and accountability, there will be continued need for supporting efforts to strengthen financial management and citizens' engagement.* The ongoing decentralization presents a particular need for investing in the technical capacities of local government at the District and Sector levels.
- *Continued investments in capacity building and institutional strengthening* are needed to achieving Rwanda's ambitious goals. Investing in staff capacity building at not only the local levels, but at central level to manage a SP sector growing in size, complexity and responsibility will continue to be needed to ensure effective policy and program implementation.

- *MINALOC and LODA have the institutional capacity and mandate to continue to expand their role in coordinating multi-sectoral initiatives in which social protection can play a leading role. Support to MINALOC and LODA remains appropriate. These institutions are well placed to leverage social protection to address national goals of reducing poverty, strengthening resilience and building human capital.*
- *The sector will benefit from continued support from a well-organized and coordinated set of development partners to ensure maximum effectiveness in the provision of technical and financial assistance.*

103. The relative focus of SP efforts will also be strong shaped by new policy directives following the conclusion of the EDPRS-2 and NSPS-2 in 2018.

#### **4.4 LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY**

104. **The focus on social protection proposed by this program is directly aligned with the recently-approved Rwanda Country Partnership Strategy (CPS) (FY2014-18),** which identifies the following areas as a focus for IDA resources: energy, urban development, rural development, social protection and accountable governance<sup>20</sup>. These areas are further grouped into three themes: Theme 1: Accelerating economic growth that is private-sector driven and job-creating; Theme 2: Improving the productivity and incomes of the poor through rural development and social protection; and Theme 3: Supporting accountable governance through PFM and decentralization.

105. **This program falls under Theme 2 of the CPS:** “Improving the productivity and incomes of the poor through rural development and social protection”. As World Bank analysis of poverty shows, growth alone will not be sufficient to reach poverty targets. International and national goals for poverty reduction are only attainable with a strategy that builds the incomes of the poorest quintiles and ensures that the prosperity that is generated by growth is adequately shared. Prior actions under this DPO are chosen to deliver maximum impact on the incomes of the poorest and most vulnerable groups in Rwanda. Also, IDA’s support under the CPS period will focus on consolidating past progress while introducing and scaling up measures that are fundamental to strengthening of Rwanda’s social protection system further. This focus is fully aligned with Rwanda’s 2013 National Social Protection Strategy and the 2013 EDPRS-2 and carried out in close coordination with development partners in the social protection sector.

106. **The program is aligned with and supportive of operations in agriculture and governance.** The focus on the rural poor and on improving livelihoods through improved harmonization in income-support programs is strongly aligned with World Bank-supported operations in agriculture, while the works on transparency and accountability deepens work supported in the governance sector. The program is also benefiting from work with staff in the Jobs Cross-Cutting Solutions Area.

107. **The proposed operation is supportive of the World Bank’s twin goals of eliminating extreme poverty and boosting shared prosperity, as well as of sectoral and regional strategies.** Social protection programs such as Rwanda’s help combat extreme poverty through direct transfers

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<sup>20</sup> These areas are selected based on five criteria: (i) alignment with the EDPRS 2, (ii) Bank’s comparative advantage, (iii) within World Bank Group synergies; (iv) client demand and (v) risk are used to identify the areas to concentrate IDA resources.

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>21</sup> (supporting its second pillar on vulnerability and resilience) and the global<sup>22</sup> and Africa Social Protection Strategies.

## 4.5 CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS

### Consultations

108. **Rwanda has engaged in extensive consultations with respect to the development of the social protection policies supported by the DPO series.** In addition, there is a high level of development partner engagement and the Government puts a high priority on aid coordination and effectiveness, in which the World Bank plays an active role. Extensive consultations, notably with civil society, were undertaken in the formulation of the EDPRS and the NSPS, with which the DPO series is aligned.

### Collaboration with Development Partners

109. Regarding collaboration with development partners, the World Bank is active in the SP sector working group (SWG), which is the main mechanism within which SP policy and implementation issues are discussed between the Government and development partners active in the sector. The SWG was heavily involved in the development of the NSPS and NSPS-2 as well as relevant implementation plans. The SWG usually conducts bi-annual Joint Sector Reviews (JSR), one that reviews progress made towards the goals and targets of the strategy the year before, and the other that looks forward. The JSRs feed into MINECOFIN’s national stock taking of its EDPRS. The Bank actively participates in these reviews, and the design of the SPS program and the areas it supports are informed by this exercise.

110. **The World Bank SP team engages in regular consultations with the SP core development partners** during every mission on emerging issues that require collaboration with, and attention by, other development partners. In particular, the team has briefed and sought the views of DfID, EU, SIDA, and UNICEF on the development of this DPO series. The Division of Labor Framework reinstates DfID as the lead donor and co-chair of the SP SWG.

## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1 POVERTY AND SOCIAL IMPACT

111. **The proposed policy reforms are expected to have positive poverty and social impacts and 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 the population in an effective, predictable, and sustainable manner while contributing to equitable growth and a reduction in extreme poverty.

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<sup>21</sup> World Bank. March 2011. Africa’s Future and the World Bank’s Support to It. Washington DC: World Bank.

<sup>22</sup> World Bank. 2012. Resilience, Equity and Opportunity: the World Bank’s 2012-2022 Social Protection and Labor Strategy.

112. **The policy measures in this proposed program aim to 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.

113. **The VUP impact evaluation and Rwanda Poverty Assessment provide evidence of the social protection system's contribution to reducing poverty and boosting human capital** (see section 4.2 for a summary of impact evaluation results). Although at the time of the EICV-3 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 had been employed in terracing program and road construction through public works. It had also provided an income source for the vulnerable and elderly, particularly through Direct Support grants.

114. **DFID recently updated their Value for Money (VfM) analysis of the VUP in support of their ongoing Social Protection Support for the Poorest in Rwanda (SPSPR) operation.** This analysis was based on four program change scenarios. Scenario 3 is most similar to the proposed improvements under the revised VUP program document (increase in number of days of public works per beneficiary, increase in transfer values under direct support, increasing the labor intensity of public works, and targeting improvements). The analysis of this scenario can thus give a rough estimate of poverty impacts of SPS-3 prior actions 5 and 6. According to this analysis, by the GoR 2022/2023 fiscal year the VUP would reduce extreme poverty incidence among DS households by 74% and PW households by 21%. 62,941 VUP households would be lifted out of poverty over the same time period.

115. **This series of operations has also contributed to building the appropriate government systems to better monitor and contribute to poverty reduction in Rwanda.** By building IT systems to track beneficiaries over time and across programs through the NID linkage, and by monitoring program successes and bottlenecks, the Government of Rwanda will be able to better measure improvements among the beneficiary population, substantiating SP program contributions to poverty reduction. They will also be able to identify and address situations where beneficiaries may not be moving out of poverty as expected. The main gap in the current system is its inability to carry out impact analysis on a regular basis. The government is working to resolve this issue as a future objective.

116. **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>23</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 (see Table 8 below) across all the VUP components. Female participation in Direct Support, Public Works and Financial Services was 68 percent, 50 percent and 49 percent, respectively, in FY2015/16, 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

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<sup>23</sup> The Second Economic Development and Poverty Reduction Strategy, July 2013, page 85-86.

pregnant women and lactating mothers as well as those with young children. Outcomes of this assessment have been incorporated in the revised VUP program document. UNICEF is also 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.

**Table 8: Female Participation as % of Total across each of VUP’s Components**

	Direct Support			Public Works			Financial Services		
	Female Headed Households	Male Headed Households	% Female participation	Female Headed Households	Male Headed Households	% Female participation	Female Headed Households	Male Headed Households	% Female participation
FY2010-11	12,262	6,617	65%	47,854	55,703	46%	22,356	30,872	42%
FY2011-12	18,660	8,971	68%	43,618	50,779	46%	25,884	29,442	47%
FY2012-13	28,855	14,816	66%	43,445	45,566	49%	29,704	25,508	54%
FY2013-14	40,274	21,707	65%	49,419	54,891	47%	26,594	24,548	52%
FY2014-15	55,211	29,143	65%	53,033	58,890	47%	7,927	9,115	47%
FY2015-16	58,885	27,887	68%	52,564	53,477	50%	26,534	27,413	49%

Source: VUP Annual Reports, 2010-2016

117. **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.

## 5.2 ENVIRONMENTAL ASPECTS

118. **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. The REMA screening process, followed by VUP, classifies projects into three categories: 1. Projects not requiring further environmental analysis; 2. Projects not requiring a full environmental impact assessment (EIA) but that necessitate a further level of assessment; and 3. Projects requiring a full EIA. Districts are responsible for ensuring that the REMA guidelines are followed for VUP public works projects. LODA’s responsibility is to ensure that Districts are aware of the EIA obligations, which are documented in the VUP operational manual and in the LODA Feasibility Study Guidelines. Trainings are provided on the EIA to District engineers who support the identification of PW projects and beneficiaries are sensitized to the issues by their PW supervisors prior to and after commencing works. Also, the World 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.

119. **The specific policies supported by this series, however, may have positive effects on Rwanda’s environment, forests, water resources, habitats or other natural resources.** As stated in the revised VUP program document, “through the VUP Public Works component, the VUP delivers significant investment in community asset creation and environmental management. Interventions financed through the VUP include a wide range of soil conservation activities

including construction of radical terraces, anti-erosion ditches and reforestation. These investments will contribute safeguarding Rwanda’s natural resources, thereby underwriting the sustainability of Rwanda’s agricultural production.”

**Table 9: Environment and Poverty and Social Analysis Table**

<b>Prior actions</b>	<b>Significant positive or negative environment effects (yes/no/to be determined)</b>	<b>Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)</b>
<b>Pillar #1: Efficiency of the Social Protection System</b>		
<b>Prior action #1:</b> LODA to ensure that the updated <i>Ubudehe</i> national household poverty database is operational, including a fully functional interface with the NIDA database	No	No significant effects, but it does contribute to building government systems.
<b>Prior action #2:</b> MINALOC to (i) establish structure of the National Social Protection Registry (NSPR); (ii) design a web-based graphical user interface for communication across programs; and (iii) develop protocols on staffing, and roles and responsibilities for use and maintenance of the MIS	No	No significant effects, but it does contribute to building government systems.
<b>Prior action #3:</b> MINALOC to implement a pilot of the minimum package for graduation in 30 sectors, including harmonizing income-generating activities across selected SP programs	No	No. Implementation of the full program may have significant poverty effects but the pilot’s impact will be limited to the pilot groups.
<b>Pillar #2: Accountability and Transparency</b>		
<b>Prior action #4:</b> MINALOC to implement and monitor a citizen appeals and complaints system, including web-based and SMS platforms	No	No.
<b>Pillar #3: Coverage of Poor and Vulnerable</b>		

<p><b>Prior action #5:</b> MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY17</p>	<p>Yes. As discussed above, Public Works projects have a positive impact on the environment.</p>	<p>Yes. As per the DFID analysis, expansion of VUP is expected to lift households out of extreme poverty.</p>
<p><b>Prior action #6:</b> MINALOC to approve the revised VUP program</p>	<p>Yes. Planned activities under the revised VUP, in addition to traditional public works projects that positively impact the environment, include: tree-planting; forest maintenance; maintenance of anti-erosion ditches; greening/beautification and cleaning of public spaces; and rehabilitation of terraces. All these activities are expected to have a positive impact on the environment.</p>	<p>Yes. As per the DFID analysis, the modifications to the VUP are expected to improve the poverty reduction impacts of the program. Revisions to the program also aim to be more gender and family sensitive.</p>
<p><b>Prior action #7:</b> Cabinet to approve National Early Childhood Development (ECD) policy</p>	<p>No.</p>	<p>Yes. The policy aims to achieve substantial gains in child development and poverty reduction.</p>

### 5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS

120. **Public Financial Management (PFM) is regarded as a key element of public sector governance in Rwanda, as it cuts across different sectors as well as different levels of government.**<sup>24</sup> The main objective of the PFM is “to ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery”. The Government embarked on comprehensive PFM reforms more than five years ago with the comprehensive Public Financial Management Reform Strategy (PFMRS) in 2008-12. Building on progress of PFMRS, the PFM Sector Strategic Plan 2013-18

<sup>24</sup> For example, the EDPRS 2 states that “Rwanda’s public finance management system is the platform for the efficient management of the nation’s resources. Its reporting, audit and oversight functions are essential elements in providing effective Accountable Governance” (Para 6.27).

was formulated in 2013 to advance reforms. PFM systems and processes of the Government of Rwanda have both strengths and challenges as demonstrated in recent PFM diagnostic reports.<sup>25</sup> The strengths of the PFM system include: (i) the simplified public financial guidelines for chief budget managers which provide clear descriptions for the various PFM processes;<sup>26</sup> (ii) the orderly, participatory and transparent planning and budget preparation process, and (iii) a strong financial management legal framework. On the other hand, a number of challenges still remain with regards to (i) small number of suitably qualified officials to handle PFM functions coupled with high turnover of the few trained staff; (ii) a relatively undeveloped internal audit; (iii) internal control weaknesses; and (iv) weaknesses in expenditure management. The Public Sector Governance Program for Results approved in December 2014 supports a strengthened approach to public financial management.<sup>27</sup>

**121. An assessment of the systems and processes for dealing with fraud and corruption issues also shows that Rwanda has adequate institutional, organization and legal frameworks for monitoring fraud and corruption.** Rwanda further strengthened the legal frameworks in 2013 with the amendment of the law to allow the Office of the Ombudsman to prosecute cases of corruption, though there is a transition to enable the Office of the Ombudsman to be properly prepared to take over prosecution of corruption cases from the National Public Prosecution Authority. Rwanda also passed the Whistle Blowers Protection Act, 2013.

**122. The Recipient of the SPS-3 is the Republic of Rwanda, represented by MINECOFIN.** A single-tranche development policy credit equivalent to SDR XX million (US\$ 95 million equivalent) 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. Upon notification by IDA SPS-3 effectiveness, and with the submission by the Recipient of a withdrawal application, the proceeds of the operation will be deposited into an account designated by the Recipient that forms a part of the country's foreign exchange reserves at the BNR. Within two business days, BNR will credit the Rwanda Franc equivalent of the proceeds to the consolidated account maintained on behalf of Government which finances budgeted expenditures. Disbursements will not be linked to specific purchases and no procurement requirements will be necessary. However, the proceeds of the IDA financing cannot be used for ineligible expenditures (i.e. to finance goods and services from the IDA's standard negative list as reflected in the Financing Agreement). If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

**123. Rwanda has an effective system for prescribing the rules and procedures by which public procurement should be carried out, for training in the requisite competencies and for monitoring and enforcing compliance.** The Rwanda Public Procurement Law (Law No. 12 of 2007) was passed in March 2007 and revised in 2013 (Law No. 5 of 2013) and includes the main

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<sup>25</sup> Such as the Public Expenditure and Financial Accountability (PEFA) 2007 and 2010 assessments; sector public expenditure review reports; public expenditure tracking survey reports; and independent mid-term and end-term evaluations of the Public Financial Management Reform Strategy (2008-2012)

<sup>26</sup> [http://www.minecofin.gov.rw/fileadmin/templates/documents/Fiscal\\_Decentralisation\\_Unit/Fiscal\\_Decentralization\\_Documentation/Interim\\_PFM\\_Guidelines.pdf](http://www.minecofin.gov.rw/fileadmin/templates/documents/Fiscal_Decentralisation_Unit/Fiscal_Decentralization_Documentation/Interim_PFM_Guidelines.pdf)

<sup>27</sup> <http://www.worldbank.org/projects/P149095?lang=en>

expected features of a well-regulated public procurement system. The fundamental principles of public procurement are stated in the Procurement Law (Article 4) to be transparency, competition, economy, efficiency, fairness and accountability. Procurement compliance is actively enforced by the RPPA through a program of procurement audits, carried out in accordance with an internal control and audit manual. In addition to the program of procurement audits, procurement activities and contract award proposals are reviewed by a National Independent Review Panel upon complaint by a dissatisfied bidder. Thus the business community is taking advantage of its right to challenge the decisions of Procuring Entities and the Procuring Entities are aware that any departure from the Law or bias and unfairness in evaluation and contract award may be subject to challenge.

124. **The Government of Rwanda also aims to implement a full-fledged e-Procurement System for use by its central and local government entities, as part of its procurement modernization.** Once implemented, the system will be a proven solution and accessible over the Internet by all Government entities and the business community. It will also provide ready-access for buyers and sellers to create and approve purchasing requisitions, placing purchase orders and receiving goods and services, online invoicing and payment.

#### **Reporting, accounting, and internal controls and auditing**

125. **The Recipient will report to IDA on the amounts deposited in the Foreign Currency Account and credited in local currency to the budget management system with an indication of the exchange rate applied. The Deputy Accountant General in charge of Treasury will be notified accordingly.** The BNR will not impose any charges or commissions on Government for these transactions. The conversion from US dollar to Rwanda Franc will be based on the prevailing exchange rate on the date that the funds are credited to the consolidated account. Government, through the Ministry of Finance and Economic Planning, will: (i) provide written confirmation within 30 days to the Bank that an amount equivalent to the financing proceeds from the Bank has been credited to the consolidated account, with an indication of the exchange rate applied; (ii) provide evidence that the Rwanda Franc equivalent of the financing proceeds was recorded as financing for Government budget; and (iii) ensure that the Rwanda Franc equivalent of the financing proceeds are subject to controls to ensure its use for eligible budgeted public expenditures only. The Financing Agreement gives IDA the right to require the Recipient to audit the Foreign Currency Deposit Account through agreed terms of reference.

#### **5.4 MONITORING, EVALUATION AND ACCOUNTABILITY**

126. **The SPS results and policy framework (see Annex 1) 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 SWG 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 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.

127. **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, EICV4 is collecting an oversample of VUP beneficiaries which can be used to estimate benefit-incidence and generosity. As part of the government plan to use EICV for impact evaluation, a VUP pre-program baseline and a matched control should be established in the EICV4 and should be re-interviewed during the EICV5 (planned for 2016/17) to evaluate the impacts of VUP over time using difference-in-difference estimates. This type of analysis should be supported through a program of technical collaboration with NISR and is under discussion with development partners.

### **Grievance Redress**

128. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns.

129. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond.

130. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## **6. SUMMARY OF RISKS AND MITIGATION**

131. **The overall risk of the program is Moderate and each individual risk is rated as Low or Moderate.** However, there are important risks to program outcomes, notably: (i) vulnerability to weakening of the external economic environment; and (ii) dependence on external foreign assistance that can affect implementation of the NSPS, including the scale-up plans of VUP.

### **Key risks to program outcomes**

132. **Political and governance.** Rwanda has relatively sound institutional and legal frameworks to deal with fraud and corruption cases. There is clear division of responsibilities between the Offices of the Ombudsman (OM) which deal with cases of corruption, the Criminal Investigation Department (CID), which deals with cases of fraud, and the Prosecution Office, which pursues in court evidenced cases of corruption and fraud. However, the risk is that the Ombudsman's office is not decentralized, though districts receive support to tackle cases of fraud and corruption in their jurisdiction. The mitigation for the risk of relative weakness at the district level is strong central support.

133. **Macroeconomic.** Rwanda's medium term expenditure framework explicitly includes targeted spending on social programs (of the type supported by this operation) which are integral to the IMF-supported new PSI, which provides additional reassurance that such resources will be

delivered to needy citizens. More broadly, although Rwanda’s short- to medium-term outlook is vulnerable to external shocks given the country’s trade imbalances and concentrated export items, the Government finalized the second National Export Strategy to address this and has adopted measures to enhance its revenue mobilization. The Bank will also continue to monitor the evolution of Rwanda’s debt indicators under the DSA framework, which are currently healthy and below the typical thresholds.

134. **Institutional capacity for implementation and sustainability.** The following elements pose risks to the program: (a) inadequate capacity of relevant government agencies and poor coordination could hamper implementation and achievement of the PDO; (b) monitoring arrangements are largely adequate, although reports may be produced with some delays, but evaluation capacity needs to be supported in collaboration with NISR to take advantage of EIVC data and VUP oversampling; and (c) errors of inclusion and exclusion in poverty targeting pose risks for program benefits being received by non-eligible recipients. To mitigate these risks, MINALOC is taking multiple steps, several of which are supported under the SPS reform program and by other development partners. In terms of sustainability, there is a challenge of inadequate access to income-generating opportunities that would enable people to sustainably graduate out of poverty. Sustained graduation out of poverty requires not only sufficient economic growth to create jobs and business opportunities, but also that the poor have the skills and information required to access these opportunities. In the absence of these opportunities, people risk repeatedly falling back into poverty, as soon as they exit from transfer programs, creating a cyclical pattern, instead of a sustained pathway out of poverty. This risk will be mitigated through the creation of stronger linkages between transfer programs and complementary skills enhancement and financial services programs.

135. **Fiduciary risk for the program.** The main fiduciary risks to the Program are: (a) declines in foreign financial assistance; (b) management challenges in the context of decentralization, notably at the district level in the context of weak internal controls as evidenced by the OAG audit reports; and (c) contract management problems, including delays in payments. To mitigate these risks, Rwanda conducts substantial in-house trainings and is implementing reforms aiming at strengthening the financial management and procurement systems supported by the PFM basket funds and the Public Sector Governance PforR operation financed by the World Bank.

**Table 10: Systemic Operations Risk Rating Tool (SORT)**

Risk Categories	Rating (High, Substantial, Moderate or Low)
1. Political and governance	Moderate
2. Macroeconomic	Moderate
3. Sector strategies and policies	Moderate
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation and Sustainability	Moderate
6. Fiduciary	Moderate

7. Environment and social	Low
8. Stakeholders	Low
<b>Overall</b>	Moderate

## ANNEX 1: POLICY AND RESULTS MATRIX

Prior Actions and Triggers			Results (Baseline June 2013, Target June 2018)
Prior Actions under SPS -1 (completed)	Prior Actions under SPS -2 (completed)	Policy Actions under SPS -3 (to be completed)	
<b>Pillar #1: Efficiency of the Social Protection System</b> <i>Efficiency improved through reformed Ubudehe system and database, improved iSP-MIS and increased harmonization across social protection programs.</i>			
1. MINALOC to adopt roadmap for updating of the <i>Ubudehe</i> national household poverty database	1. LODA to sign an MOU with National ID Agency (NIDA) including technical specifications for interface between <i>Ubudehe</i> and NIDA databases	1. LODA to ensure that the updated <i>Ubudehe</i> national household poverty database is operational, including a fully functional interface with the NIDA database <sup>28</sup> (Edited)	(i) % of individuals over 16 in the <i>Ubudehe</i> database matched to a national ID [baseline: 25%; end-target: 60%] <u>Source: Analysis of the <i>Ubudehe</i> database</u>
2. Short-, medium-, and long-term MIS objectives approved by the MINALOC convened MIS Technical Committee	2. MINALOC to finalize, validate, and adopt MIS technical system specifications and costed roadmap	2. MINALOC to (i) establish structure of the National Social Protection Registry (NSPR); (ii) design a web-based graphical user interface for communication across programs; and (iii) develop protocols on staffing, and roles and responsibilities for use and maintenance of the iSP-MIS <sup>30</sup> (Edited)	(ii) Number of core SP programs linked to the iSP-MIS. <sup>29</sup> [baseline: 0; end-target:2] <u>Source: iSP-MIS Technical Committee</u>  (iii) % of targeted local government staff trained on SP program eligibility [baseline: 0; end-target: 70%]

<sup>28</sup> This Policy Action was edited slightly from the SPS-1 matrix, from “MINALOC to ensure that the interface between the *Ubudehe* and NIDA databases is fully functional” in order to recognize that the *Ubudehe* poverty database has been fully updated and is operational, including the interface with the NIDA national ID database.

<sup>29</sup> The 4 core SP programs (VUP, FARG, Rwanda Demobilization and Reintegration Commission (RDRC), and MINALOC Decentralized) are described in Section 3. This indicator has been updated from “Number of MIS modules developed” to more accurately reflect how the iSP-MIS will function: some new modules will be developed but some will also be simply upgraded to communicate with the new iSP-MIS. The more important result is the ability of the system to function as a whole through linking programs. The target remains the same.

<sup>30</sup> This Policy Action was edited slightly from the SPS-1 matrix, from “MINALOC to develop priority MIS modules and issue protocols on roles and responsibilities for use and maintenance of the MIS” to better reflect the evolution of the MIS. The priority modules language was clarified to mean core SP programs and included as a results indicator, following OPCS guidance.

3. MINALOC to issue policy guidelines to decentralized entities as to which benefit to allocate to households eligible for more than one social protection program, with no duplicate benefit from FARG and VUP Direct Support	3. MINALOC to develop and adopt policy guidelines for a minimum package to support graduation, including harmonizing income-generating activities across selected SP programs	3. MINALOC to implement a pilot of the minimum package for graduation in 30 sectors, including harmonizing income-generating activities across selected SP programs <sup>31</sup> (Edited)	<u>Source: MINALOC</u>
<b>Pillar #2: Accountability and Transparency</b> <i>Accountability and transparency enhanced through improved SP budget reporting and dissemination and strengthened citizens' engagement.</i>			
4. MINECOFIN to produce consolidated Social Protection budget identifying the social protection programs	4. MINALOC and MINECOFIN to document, publish and discuss the SP consolidated budget allocation and execution through primary dissemination channels		(iv) % of districts reviewing SP budget during accountability day events (per year) [baseline: 0; end-target: 60%] <u>Source: Reporting from the Districts</u>
5. Cabinet to approve revised structure for expanded staffing at district and sector local government levels	5. MINALOC to develop and implement a curriculum for targeted district and sector local government staff to strengthen citizens' engagement in the delivery of social protection programs	4. MINALOC to implement and monitor a citizen appeals and complaints system, including web-based and SMS platforms	(v) % of primary appeals that have been resolved at first instance at sector levels within two weeks in VUP Sectors [baseline: 80%; end-target: >80%] <u>Source: LODA VUP routine monitoring</u>
<b>Pillar #3: Coverage of Poor and Vulnerable</b> <i>VUP coverage expanded with attention to appropriate design, notably poverty and child-sensitive elements.</i>			
6. MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY15	6. MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY16	5. MINALOC and MINECOFIN to approve plan and budget for expansion of VUP in FY17	(vi) % of geographical sectors covered by VUP in the poorest 30% of districts: for (a) Direct Support; and (b) Public Works <sup>32</sup> (a) DS baseline: 54%; end-target: 95% (b) PW baseline: 42%; end-target: 80% <u>Source: LODA VUP routine monitoring</u>
7. MINALOC to adopt procedures to enhance community participation in <i>Ubudehe</i> household classification process and launch testing of poverty scorecard			

<sup>31</sup> This Policy Action was edited slightly from the SPS-1 matrix, from "MINALOC to implement policy guidelines for harmonizing income-generating activities across selected SP programs" to provide specificity on how the policy action was being implemented.

<sup>32</sup> Districts are ranked according to a poverty index and VUP is prioritizing program expansion in the poorest districts.

		6. MINALOC to approve the revised VUP program <sup>35</sup> (New)	(vii) VUP coverage by geographical sector and households for (a) Direct Support and (b) Public Works <sup>3334</sup>
8. MINALOC to conduct policy study and identify policy options for improving gender and child sensitivity of SP programs	7. MINALOC to adopt plan for selected option(s) for improved gender and child sensitivity of SP programs	7. Cabinet to approve National Early Childhood Development (ECD) policy (Revised) <sup>36</sup>	<p><i>Direct Support</i></p> <p>(i) Sectors - baseline: 180 sectors; end-target: 395 sectors;</p> <p>(ii) households - baseline: 43,671 households; % Female Headed Households (FHH): 66%; end-target: 96,000 households; FHH: 66%</p> <p><i>Public Works</i></p> <p>(i) Sectors - baseline: 150 sectors; end-target: 240 sectors;</p> <p>(ii) households - baseline: 89,011 households; % FHH: 46%; end-target: 130,000 households; % FHH: 48%;</p> <p><u>Source: LODA VUP routine monitoring</u></p>

<sup>35</sup> Please see discussion in Section IV regarding this new Policy Action

<sup>33</sup> There are 416 sectors in Rwanda

<sup>34</sup> All baselines for SPS-2 use June 2013 data, however, in SPS-1 indicator (vii) used June 2014 data.

<sup>36</sup> This Policy Action was introduced as a substitute for the SPS-1 Prior Action “MINALOC to incorporate plan and budget for expansion in FY17 of gender and child sensitive SP programs” in order to have a strong policy action with Cabinet approval within the policy matrix, in line with the focus of the DPO instrument. In addition, Policy Actions #5 and #6 incorporate the substance of the earlier SPS-1 text for this Policy Action.

## ANNEX 2: LETTER OF DEVELOPMENT POLICY

REPUBLIC OF RWANDA



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Tel: +250 252 575756 Fax: +250 252 577581  
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**Ms. Diarietou Gaye**  
**Country Director for Rwanda**  
**World Bank**  
**NAIROBI**

Dear Ms. Gaye,

**RE: Rwanda – Letter of Development Policy for Social Protection System (SPS-3)**

1. On behalf of the Government of Rwanda, I am requesting a credit in the amount of US\$95 million from the International Development Association (IDA) for the Social Protection System (SPS-3) Development Policy Operation.

2. The Government of Rwanda remains committed to achieving sustained economic growth and poverty reduction and consolidating macroeconomic stability. The strategies to achieve these goals are set out in the Second Economic Development and Poverty Reduction Strategy for 2013-2018 (EDPRS 2) building on the progress made under the EDPRS-1 (2008-2012) both of which are consistent with our Vision 2020.

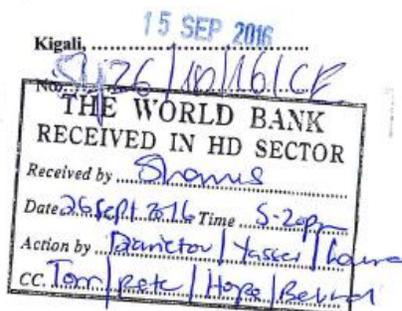
**Rwanda's Development Challenges:**

3. Rwanda has achieved a remarkable reduction in poverty and extreme poverty over the past decade. The country-defined poverty rate fell from 56.7% in 2005/6 to 44.9% in 2010/2011 to 39.1% in 2013/14, while the extreme poverty rate fell from 35.8% in 2005/2006 to 24.1% in 2010/2011 to 16.3% in 2013/14.

4. Even given Rwanda's impressive achievements in reducing poverty, important challenges remain: with a GNI per capita of US\$701 (2015). Generally, much work remains to ensure extension of the coverage of social protection (SP) programs to poor households to maximize poverty reduction. In particular, poverty remains high among households with many children, and child malnutrition continues to affect 37.9 percent of Rwandan children under 5. In addition, climate-related risks exacerbate the problems

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Website: <http://www.minecofin.gov.rw>



· faced by the extreme poor who rely primarily on rain-fed agriculture for their subsistence and often live in geographical areas prone to natural disasters.

**Progress in the Social Protection Sector:**

5. The Government of Rwanda has established social protection as a priority in its ambitious 5-year goal to “accelerate poverty reduction to less than 30% of the population” and to “reduce extreme poverty to 9%” by 2018. Social protection is a central element in the EDPRS 2 objectives of expanding coverage of the poor and harmonizing social protection interventions to enhance effectiveness and promote graduation from extreme poverty.

6. The social protection sector continues to receive strong political and financial support from the Government of Rwanda, This is coupled with ongoing institutional strengthening and capacity building within line ministries and local government units responsible for social protection policy articulation and program implementation.

7. Recently, recognizing that the VUP remains central to the Government of Rwanda’s commitment to achieving the 9% extreme poverty rate target set in Vision 2020, the Government of Rwanda produced a VUP Program Document in 2008 and recently revised in 2016 to reflect the emerging priorities . The consistent prioritization accorded to the VUP by the Government of Rwanda reflects not only a commitment to sustainable and equitable development and the eradication of extreme poverty, but also the strong performance of the VUP since its inception. The update of the VUP program supported by this proposed SPS-3 operation is grounded in an analysis of the poverty and vulnerability context and wider national policy framework and development orientation. It builds on lessons learned over the past eight years since the inception of the VUP and articulates the Government of Rwanda’s policy with regards to the program’s delivery modalities, eligibility criteria, institutional arrangements, planning, budgeting and financing.

8. The Ubudehe categorization of Rwandan households has been ongoing since 2002. Ubudehe is used to determine eligibility for a range of public services, including the VUP. The categories have recently been revised and approved by the Cabinet. After consultation at different levels, it was agreed to revise and update the Ubudehe categories according to the current national context. The revised 2015 Ubudehe categorization ranks Rwandan households into four categories, instead of the previous 6. According to the revised VUP program, households in category 1 only will be eligible for VUP. The Government of Rwanda is undertaking community awareness campaigns to inform the general population about the categorization process and eligibility for accessing socio-economic benefits. Furthermore, the Ubudehe data base is now more

robust, allowing for updating of correct information and facilitating the registration of unregistered households.

**Request for Bank Support:**

9. In the context of Rwanda's overall poverty reduction efforts, the Government of Rwanda has requested World Bank support to improve the efficiency of the social protection system, enhance accountability and transparency and expand coverage to the poor and vulnerable.

10. This SPS-3 operation will support broader reforms enshrined in the second National Social Protection Strategy (NSPS-2), building on the previous NSPS-1, and underpinning the larger national objectives under the EDPRS-2, of which the flagship Vision 2020 *Umurenge* Program (VUP) remains an important component and the major source of lessons for continued enhancement in operational design for the rest of our government's social protection interventions.

11. Support from previous World Bank development policy operations has helped establish the foundation of a social protection system that is now institutionally mature, central to poverty reduction approaches, and supporting a rapidly growing number of poor and vulnerable families. The four main safety net programs have moved from being uncoordinated to providing a harmonized foundation for a social protection system. The flagship Vision Umurenge Program (VUP) has been expanded beyond initial projections and now has national coverage, reaching over a million vulnerable people, up from a few thousand in its inception in 2008-9. The social protection sector has a set of sub-systems in place to support the effective delivery of services, including: geographical and household poverty targeting, grievance and redress mechanisms, a management information system for monitoring implementation, and results and links with disaster response. Ongoing analytical work points to VUP contributions to poverty reduction and asset creation, underscoring social protection's role in Rwanda's ambitious poverty reduction goals.

12. Building on this progress, the proposed SPS-3 will help Rwanda reach its goal of national coverage and will deepen social protection reforms, notably to improve efficiency, accountability and transparency and to better serve poor and vulnerable populations. 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 is focused on strengthening specific areas of social protection program design and delivery, notably: (i) Improving administrative tools to enhance efficiency, especially the Ubudehe database and SP MIS; (ii) Increased harmonization across programs to improve efficiency and effectiveness, with an eye toward boosting

graduation from poverty and social assistance; (iii) improved accountability and transparency in SP budgets and citizens' engagement; (iv) Strengthened local staff capacity building in line with the substantial decentralization of social protection budgets and staffing; (iv) expansion of the flagship VUP program to reach full national coverage; (v) improved poverty targeting; and (vi) gender and child sensitive reforms. 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.

13. A results framework has been established to measure progress in the SPS series. Baseline and target values for each year have been established, against which actual values will be measured annually.

14. The Government of Rwanda estimates the budget for implementing NSPS-2 priorities at US \$522 million - an average of over US \$104.5 million annually over five years. This is a conservative estimate that mainly focuses on MINALOC programs. The budget is expected to increase over time as the social protection system intensifies linkages with other programs in other line ministries and institutions and intensifies effort to both reach the most difficult cases and to boost graduation.

15. In compliance with our law and practices, we have reported on the financial execution of our budget through audit (March 31, 2016). We will provide budget execution reports (September 30, 2016) as well as on results generated through those transfers through Annual Performance Reports (September 30, 2016), sharing the information with the World Bank and other development partners. We will continue this practice and share the same information in 2017.

**Conclusion:**

16. The proposed Social Protection System-3 (SPS-3) development policy operation is the third in the SPS series of three development policy operations which will help improve the efficiency, accountability and coverage of Rwanda's social protection system. The Government of Rwanda stands ready to advance the dialogue that has been initiated by the World Bank on the future areas of engagement in the social protection sector with the aim of ensuring sustained gains and addressing emerging priorities, including the need to consolidate the gains so far made.

17. The Government of Rwanda's commitment to reduce poverty among the poorest segments of the population is demonstrated through its commitments in NSPS-2 and EDPRS-2. As the latest EICV-4 household survey data show, our efforts toward reducing the level of poverty in Rwanda are paying off, and growth has become more pro-poor and inclusive. Further, the Government of Rwanda recognizes that the support

by the World Bank and other development partners will complement national efforts toward providing sustainable livelihoods for the poor Rwandan households.

18. We therefore submit this Letter of Development Policy to seek support from the International Development Association of the World Bank through this SPS-3 operation. We believe this credit is strong and focused, builds on previous support provided by the World Bank through the Community Living Standards and SSPS Development Policy Finance (DPF) series and the SPS-1 and SPS-2 operations in this current series, and fully supports our comprehensive and ambitious vision of our medium-term economic and social development.

19. We look forward to the continued active engagement of the World Bank in Rwanda, and take this opportunity to extend our sincere appreciation for the excellent level of cooperation we have enjoyed with the World Bank over many years.

Yours Sincerely,

*Claver*  
**Claver GATETE**  
Minister



**Cc**

- Hon. Minister of Local Government
- Hon. Minister of State in charge of Economic Planning
- Hon. Minister of State in Charge of Social Affairs
- Permanent Secretary and Secretary to the Treasury, MINECOFIN
- Country Manager for Rwanda, World Bank

## ANNEX 3: FUND RELATIONS ANNEX

### IMF Executive Board Approves US\$204 Million Stand-by Credit Facility for Rwanda and Completes Fifth PSI Review

Press Release No. 16/270  
June 8, 2016

On June 8, 2016, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Rwanda's economic performance under the program supported by the Policy Support Instrument (PSI)<sup>1</sup> and approved an 18-month arrangement under the Standby Credit Facility (SCF)<sup>2</sup> for SDR 144.18 million (about US\$204 million or 90 percent of Rwanda's quota). In completing the review, the Board granted a waiver for a minor and temporary nonobservance of an assessment criteria on the non-accumulation of external arrears. The Board also approved the extension of the current PSI up to the end of 2017.

The SCF will complement the authorities' efforts to address growing external imbalances, by boosting reserves, with a first SDR 72.09 million disbursement (about US\$102 million) available immediately. Both near and medium term adjustment policies to position Rwanda's external position on a sustainable basis will form part of an overall strategy to support growth, support poverty reduction and improve the country's resilience to future uncertainties in the global economy.

The Executive Board approved the PSI for Rwanda on December 2, 2013 (see [Press Release No.13/483](#)).

Following the Executive Board's discussion, Mr. Min Zhu, Deputy Managing Director and Acting Chair, issued the following statement:

"Rwanda's continued strong performance under the Policy Support Instrument has created a platform for high growth and steady poverty reduction. Growth in 2015 was buoyed by strong construction and services activity, while inflation remained contained.

"Nevertheless, the situation has grown more challenging in recent months due to external shocks related to commodity prices and tighter conditions for private inflows. Combined with the appreciation of the U.S. dollar, these have reduced export receipts and put downward pressure on the exchange rate and official reserves.

"Accordingly, the authorities are taking decisive steps to address external imbalances; first and foremost, through using continued exchange rate flexibility as the principal adjustment tool. This will be supported by tighter fiscal and monetary policies to help curb demand for imports. Implementation of these policies should maintain GDP growth of around 6 percent in both 2016 and 2017, while IMF financing under the Standby Credit Facility will help bolster reserves. The authorities are also accelerating policies to diversify and promote higher value exports, which should help strengthen the country's medium-term growth prospects and its resilience to future shocks.

"Downside risks to growth and the program remain: for example, should further shocks to commodity prices or regional and weather-related developments materialize, additional adjustment policies would need to be put in place rapidly."

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<sup>1</sup> The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (see <http://www.imf.org/external/np/exr/facts/psi.htm>). Details on Rwanda's current PSI are available at [www.imf.org/rwanda](http://www.imf.org/rwanda).

<sup>2</sup> The SCF provides financing to low-income countries on concessional terms. For more details, see <http://www.imf.org/external/np/exr/facts/scf.htm>.

**ANNEX 4: EVOLUTION OF WORLD BANK SUPPORT TO RWANDA’S SOCIAL PROTECTION SYSTEM**

<p><b>Community Living Standards (CLS)</b> 3 Part DPO series: CLS-1 -- \$6 million; CLS-2 -- \$6 million; CLS-3 -- \$6 million (2009-2011)</p>	<p><b>Support to the Social Protection System (SSPS)</b> 3 Part DPO series: SSPS-1 \$40 million; SSPS-2 \$50 million; SSPS-3 \$70 million (2012-2014)</p>	<p><b>Social Protection System (SPS)</b> 3 DPO series: SPS-1 \$70 million; SPS-2 \$95 million, SPS-3 \$95 million (2015-2017)</p>
<p>The <b>program development objective</b> for the three series of operations was to “support the Government of Rwanda’s social protection and health policy reforms designated to reduce extreme poverty, initially in 30 pilot sectors and to expand access to high-impact health, nutrition and population interventions at the community level.”</p> <p>“High impact interventions” are those that have had high impact on reducing disease burden in developing countries. Examples include: immunization, use of insect-side-treated-bed-nets (ITN), integrated management of childhood illnesses, pre and postnatal care etc.</p>	<p>The <b>program development objective</b> is to “support the Government of Rwanda’s efforts to consolidate, enhance efficiency and effectiveness, and expand coverage of its SP system.”</p> <p>The SSPS DPO series supported four main policy areas in the SP sector: (i) policy development and management capacity of the SP sector; (ii) design of an iSP-MIS; (iii) expanding coverage and enhancing harmonization of SP interventions in the country; and (iv) strengthening disaster response by establishing operational linkages between SP and early warning systems.</p>	<p>The <b>program development objective</b> for this DPO series is “support the Government of Rwanda to improve the efficiency, accountability and coverage of its social protection system.”</p> <p>This SPS DPO series incorporates lessons learned from past engagement in the social protection sector to strengthen core areas and introduce second generation reforms.</p> <p>Specifically, the SPS DPO series supports three pillars: (i) <i>efficiency</i> of the SP system by focusing on core areas of administration and program harmonization to deepen needed reforms; (ii) <i>accountability and transparency</i> and in line with the GoR and CPS focus on accountable governance, bringing a core focus to budgetary transparency and citizens’ engagement; and (iii) <i>coverage of poor and vulnerable</i>, to support national coverage of VUP and ‘appropriate’ to improve poverty targeting and to ensure SP conducive to child development.</p>
<p><b>Results:</b> This project supported both Social Protection and Health reforms. The main SP result was to <b><u>establish and pilot a good practice SP program -- the flagship SP program, the Vision 2020 Umurenge Program (VUP),</u></b> including:</p> <ul style="list-style-type: none"> <li>• Appropriate wage policy for Public Works without distorting the labor market</li> <li>• Targeting households as beneficiaries</li> <li>• Establishing a basic payments architecture</li> <li>• Ensuring rules for VUP eligibility</li> </ul>	<p><b>Results:</b> This main result was to <b><u>establish the building blocks 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.</u></b> Notably:</p> <ul style="list-style-type: none"> <li>• Policy coordination for a SP system, moving from a series of ad-hoc programs to modern safety net system</li> <li>• Establishment of executive agency for</li> </ul>	<p><b>Anticipated Results</b> This series will help Rwanda reach its goal of a <b><u>well-structured SP system with national coverage; and to move to a set of second generation reforms to improve efficiency, accountability and transparency and to expand coverage of poor and vulnerable populations.</u></b></p> <p>Notably:</p> <ul style="list-style-type: none"> <li>• Improving administrative tools to enhance efficiency, especially the <i>Ubudehe</i> database and iSP-MIS</li> <li>• Increased harmonization across programs to improve efficiency and effectiveness, addressing beneficiary overlaps and better use of income generating programs</li> </ul>

<ul style="list-style-type: none"> <li>• Establishing budget allocations across VUP areas</li> <li>• M&amp;E framework</li> <li>• Establishing fora for management and stakeholder engagement, notably SP Sector Working Group, Joint Sector Reviews</li> <li>• VUP program evolved from a program manager with a 5 person National Coordination Team to incorporation as a project under the newly-established (in 2010) Rwanda Local Development Support Fund as the locus for coordination of VUP and SP programs.</li> </ul>	<p>management of SP<sup>37</sup></p> <ul style="list-style-type: none"> <li>• Launch of National SP Strategy (2013)</li> <li>• Establishment of SP system-wide administrative sub-systems: iSP-MIS design; geographical and household poverty targeting; nascent appeals and complaints</li> <li>• Clear role for VUP in disaster response</li> <li>• Scale up of VUP flagship program to reaching half of intended national coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability and transparency in SP budgets and citizens' engagement</li> <li>• Strengthening of local staff/capacity building in line with program and staffing expansion for MINALOC and VUP</li> <li>• Full national coverage of VUP</li> <li>• Improved poverty targeting</li> <li>• Gender and child sensitive reforms conducive to child development (SP-ECD harmonization)</li> </ul>
<p><b>Coverage of VUP</b> Geographical: from 30 to 90 geographical sectors (out of 416 total in the country) by close of program. Households: from 25,000 to 176,000</p> <p><b>SP Policy:</b> Program support to launch of VUP and core elements of Vision 2020 and establishment of National Social Protection Strategy (NSPS, 2011)</p>	<p><b>Coverage of VUP</b> Geographical: from 90 to 240 geographical sectors (out of 416 total in the country) by close of program. Households: from 176,000 to 218,000 (current 11-2014)</p> <p><b>SP Policy</b> Program support to updated Rwanda SP Strategy (NSPS-2, 2013-18) and EDPRS-2 (2013-18)</p>	<p><b>Coverage of VUP (targets)</b> Geographical: from 240 to 360 by close of program. Households: from 218,000 to 300,000</p> <p><b>SP Policy Support:</b> Program is aligned with end target goals for Rwanda SP Strategy (2013-18) and EDPRS-2 (2013-18).</p>

<sup>37</sup> Rwanda Local Development Support Fund (RLDSF—established 2010 as a fund under MINALOC evolving from the Common Development Fund) mandated as main agency for SP system coordination, with policy directives, staffing, training supported under DPO series. , transitioned to LODA in 2013, RLDSF transitioned to LODA in 2013.

