



MINISTRY OF FINANCE AND ECONOMIC PLANNING
P.O. Box 158 Kigali
Tel: +250 252 575756 Fax: +250 252 577581
E-mail: mfin@minecofin.gov.rw

Ms. Diarrietou Gaye
Country Director for Rwanda
World Bank
NAIROBI

Dear Ms. Gaye,

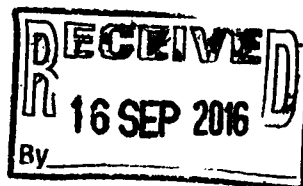
RE: Rwanda – Letter of Development Policy for Social Protection System (SPS-3)

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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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 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 ✓