

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

Report No.: AB5239

Operation Name	Rwanda Second Community Living Standards Grant
Region	AFRICA
Sector	Other social services (50%); Health (50%)
Project ID	P117758
Borrower(s)	REPUBLIC OF RWANDA
Implementing Agency	Ministry of Finance, Ministry of Local Government, Ministry of Health
Date PID Prepared	December 7, 2009
Date of Appraisal Authorization	December 15, 2009
Date of Board Approval	Projected for March 16, 2010

1. Country and Sector Background

As a country of modest geographical size with an estimated population of 9.6 million, Rwanda is one of the Africa's most densely populated countries. It remains among the poorest, despite strong growth performance in the past decade. The poverty rate decreased slightly from 60 to 57 percent between 2000-01 and 2005-06. However, because of relatively rapid population growth and an increase in income inequality, the number of people living in poverty increased from 4.8 to 5.4 million over the same period. Of those who were poor, over 90 percent lived in rural areas. Despite strong economic growth, progress towards the Millennium Development Goals (MDGs) is uneven. Rwanda is on track to achieve the MDGs in several areas¹ but lags in maternal mortality and child mortality, as well as high fertility rates.

2. Operation Objectives

Rwanda's *Economic Development and Poverty Reduction Strategy* (EDPRS) for 2008-12 builds on strong achievements in human capital development and promotes three flagship programs²: (i) encouraging growth that creates jobs and increases exports; (ii) strengthening governance; and (iii) introducing the Vision 2020 *Umurenge*³ Program (VUP). The VUP is expected to accelerate poverty reduction by promoting pro-poor components of the national growth agenda...by releasing the productive capacity of the poor in rural areas through a combination of public works, credit packages and direct support.⁴

¹ MDG progress is on track in the following areas: access to primary education, gender parity, malaria incidence, HIV prevalence.

² Government of Rwanda, *Economic Development and Poverty Reduction Strategy* (2008-2012), p. ix.

³ The Government of Rwanda has progressively devolved responsibilities and transferred resources to decentralized levels of the administration – Province, District, Sector (*Umurenge*), Cell (*Akagari*) and Village (*Umudugudu*). Of these, the last three are subordinate tiers of the district governments. The VUP is implemented through this newly restructured decentralized local government system.

⁴ op.cit.

Furthermore, the EDPRS supports Rwanda's commitment to achieving the health, nutrition and population-related MDGs. To this end, the Ministry of Health has implemented the first and second Health Sector Strategic Plans⁵ and has made substantial progress with policies aimed at improving facility-based services. These include a strategy to deliver high-impact interventions to households by a network of community health workers. This strategy is designed to promote access to services by the rural poor.

Within this policy context, the program development objective for the Rwanda Community Living Standards Grant (CLSG) series is to support social protection and health policy reforms of the Government of Rwanda's (GoR) that are designed 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.

3. Rationale for Bank Involvement

The CLSG grant aims to help Rwanda integrate international good practice within its poverty-reducing policies under the EDPRS flagship Vision 2020 *Umurenge* Program (VUP). The operation's focus is also consistent with the fiscal framework of the GoR and with the World Bank's Country Assistance Strategy (CAS) for 2009–2012. Reducing social vulnerability is the CAS's second strategic theme. Its objective "is to ensure that the most vulnerable Rwandans also benefit from growth and to help Rwanda make further progress in building a more stable society." Accordingly, a related CAS program component will support the flagship Vision 2020 *Umurenge* initiative and help Rwanda get on track on child and maternal mortality goals. The operation therefore seeks to support the GoR's objectives for poverty reduction and the hard-to-reach MDGs, as outlined in the EDPRS and the strategic objectives of the World Bank's CAS. The operation will do so by supporting (i) the GoR's VUP objectives and policies, within an improved policy framework consistent with international good practice, and (ii) GoR's strategy to deliver high-impact preventive and community-based interventions through a program targeting women and community health workers via demand- and supply-side incentives. . Policy reforms in GoR's community health, nutrition and population policies, which target health vulnerability, complement the VUP in addressing income vulnerability among poor households.

4. Financing⁶

Source: **(US\$m.)**

International Development Association (IDA) 6

⁵ The HSSP-II covers 7 strategic areas: (i) institutional capacity; (ii) human resources; (iii) financial access to health services; (iv) geographical access to health services; (v) drugs, vaccines and consumables; (vi) quality assurance; (vii) specialized services, national referral hospitals and research centers.

⁶ Co-financing from the Health Results Innovation Trust Fund might also be available.

5. Institutional and Implementation Arrangements

The CLSG operation is implemented by the Ministry of Finance and Economic Planning (MINECOFIN), the Ministry of Local Government (MINALOC), and the Ministry of Health (MINISANTE). MINECOFIN has overall responsibility for coordinating the completion of policy actions and thus final responsibility for progress in implementing the proposed CLSG operation and coordinating the completion of actions. MINECOFIN's Development Planning Unit is responsible for overall monitoring and evaluation (M&E) of the Government's poverty reduction programs. Its Budget Monitoring and Reporting Team ensures that component sector spending plans developed with general budget support are incorporated into the national MTEF and subsequent budget.

MINALOC will be responsible for implementing the Government's flagship VUP, including its public works and direct support elements. A VUP management team within MINALOC's national ministry oversees activities and manages the program. District governments are responsible for implementation at local government level and for important roles within program financial and informational flows. The sector-tier (*Umurenge*) of local government has responsibility for the implementation and coordination of VUP as one of its major activities; and liaises and cooperates with the cell tier of local government in planning and implementing public works activities and in managing and oversight of direct support. The village (*Umudugudu*) tier of local government plays important roles in beneficiary selection and the formulation of preferences for public works projects to be undertaken through VUP. Financial management and reporting responsibilities are distributed across these tiers or levels of government. The Rwanda National Institute of Statistics has provided survey support for the M&E baseline.

MINISANTE oversees the implementation of the community health, nutrition and population initiatives. The community health strategy will be implemented in conjunction with the VUP through the decentralized administration, notably the District and Sector administrations, as well as health centers at the Sector level. The community health and nutrition program will be scaled-up nationwide, including the 30 VUP pilot districts. MINISANTE will provide technical guidance and will oversee and lead coordination on community health programs with sector partners. A program to provide demand and supply-side incentives to women and community health workers, respectively, will use the already-established capacity of information systems in health centers to meet the data requirements of the community-based PBF strategy. A steering committee, including representation from the *Umurenge* administration, will authorize payments under the Community Performance-Based Financing (PBF) mechanism as well as being responsible for verification of reporting.

6. Benefits and Risks

Benefits: The principal benefits of the operation will include results that flow from improving the GoR's poverty reduction strategy through a policy framework that ensures that international good practice policies are applied to the provision of public works employment, social assistance, and health and nutritional support to the poorest households. Setting public works wages no higher than the private wage for unskilled labor should promote a more efficient labor market with reduced disincentives to private employment. Improved targeting of direct supports

should make the social safety net more effective. Public disclosure of VUP program rules and of information on direct support beneficiaries and, their benefit levels and processes for direct payment to all VUP beneficiaries should foster transparency under VUP.

Community health, population and nutrition policy development and implementation are expected to contribute to addressing challenges relating to access to basic services by poor households, access to maternal health services, coverage of high-impact interventions, and health human-resource gaps in rural areas. All of these are critical for making progress on the hard-to-reach MDGs. The operation will support reforms that complement the VUP through a strategy for delivering high-impact interventions to households by a network of community health workers (CHWs). A new framework ensures that sector administrations will sign performance-based contracts with CHW cooperatives providing for incentive payments made on the basis of reported health service indicators, with technical support and supervision provided by health centers. The Government is developing a training program to increase the skills of CHWs and others who are more likely to stay in rural areas, increasing the supply of health human resources there. To reduce maternal mortality, which reflects a broad range of factors, GoR is developing an innovative strategy incorporating key incentives for pregnant women, for CHWs, and for facilities. Moreover, findings from a planned impact evaluation will provide important information for the community-based health and nutritional support strategy and its performance-based financing design.

Risks: General international financial risks and specific regional risks for Rwanda as a whole could potentially affect this operation. Predictability of donor financing in the longer term is uncertain, although donor attitudes are encouraging, reflecting GoR's good performance to date in using aid effectively. Risks specific to the operation include the challenges faced in seeking to embody and operationalize international good-practice policies in public works, social protection programs, and community health, population and nutrition. Such challenges include: establishing a baseline for evaluating VUP piloting; the limited scope for rural non-agricultural employment and self-employment; and limited district-level capacity to manage performance-based mechanisms that incentivize women and community health workers, respectively, on the demand- and supply-sides of health services delivery. The proposed operation will address these incremental risks through specific policy actions. Risks associated with weaknesses in the country's fiduciary framework, particularly at decentralized levels, are a concern but are being addressed with support from development partners and the Bank.

7. Poverty and Social Impacts and Environmental Aspects

The GoR's social protection policies are intended to contribute to a number of policy objectives, including reducing the poverty-income gaps for extremely poor households. The operation therefore seeks to help the government implement international good-practice reforms that improve the effectiveness of its social protection programs. These are intended to help reduce extreme poverty among Rwandan households by reducing the poverty-consumption gaps for extremely poor households receiving assistance (including those that would otherwise have been unable to help themselves), by promoting support systems that are more sensitive to gender, and by creating greater capabilities for beneficiaries to seek self-reliance and to graduate from the social protection programs and into income-generating activities. In addition, community health

and nutrition policies are intended to contribute to addressing persistent socio-economic disparities in access to health services and in health outcomes.

The strong complementarity between social protection and health, nutrition, and population policy initiatives supported by this lending operation provides unique opportunities to help accelerate improved living standards and well-being amongst poor households at community level. Direct Supports and Public Works under the social protection policy area are addressing income-related risks, thus enabling a reduction in the risks associated with the income vulnerability of poor households. Any such reduction in income vulnerability among poor households is then further enhanced by the supplementary policy support in the domain of health to ensure a compounding effect in reducing households' overall income and health vulnerability.

Under Operational Policy 8.60, on Development Policy Lending, the Bank is required to determine whether specific country policies supported under the operation are likely to cause significant effects on the country's environment and, in the event of such likely effects, to assess country systems for reducing any such adverse effects and enhancing such positive effects. In the event of significant gaps in the analysis, or shortcomings in the country systems, the Bank is required to identify how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

Country policies supported under the proposed operation are not likely to have significant positive or negative effects on the environment, forest, and other natural resources. The country systems have adequate capacity to mitigate potentially small negative effects if any. The framework for environmental management has evolved in the last decade, resulting in noticeable improvements in institutional capacity. In addition, in 2008 the Ministry of Health adopted an Environmental Health Policy, which provides the overall context for the more specific Policy on Injection Safety, Prevention of Transmission of Nosocomial Infections, and Health Care Waste Management, approved in 2009. Furthermore, with Bank support, the Ministry of Local Government has incorporated into its VUP Public Works program specific environmental guidelines to minimize the likelihood of adverse environmental impact through its Public Works program and to ensure that any such minor effects are addressed if they should arise. Environmental challenges are also addressed through the environmental framework of the GoR's Strategic Plan for Agricultural Transformation for marshland development. The operation therefore complies fully with the requirements of OP 8.60.

8. Contact point

Contact: Verdon S. Staines

Title: Senior Economist

Tel: (202) 473-0878

Email: Vstaines@worldbank.org

9. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Email: pic@worldbank.org
Web: <http://www.worldbank.org/infoshop>