

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

January 9, 2014  
Report No.: 83944

<b>Operation Name</b>	RW-Third Support to the Social Protection System (SSPS-3)
<b>Region</b>	AFRICA
<b>Country</b>	Rwanda
<b>Sector</b>	Other social services (100%)
<b>Operation ID</b>	P146452
<b>Lending Instrument</b>	Development Policy Operation
<b>Borrower(s)</b>	REPUBLIC OF RWANDA
<b>Implementing Agency</b>	MINISTRY OF LOCAL GOVERNMENT  <i>Ministry of Finance and Economic Planning</i> P. O. Box 158 Rwanda Tel: (250) 577-494; Fax: (250) 577-581  <i>Ministry of Local Government</i> P.O. Box 3445 Kigali Rwanda Tel: /Fax: (250) 582-229
<b>Date PID Prepared</b>	January 9, 2014
<b>Estimated Date of Appraisal</b>	January 14, 2014
<b>Estimated Date of Board Approval</b>	March 13, 2014
<b>Corporate Review Decision</b>	Following the corporate review, the decision was taken to proceed with appraisal of the operation.

## I. Country and Sector Background

1. Rwanda has achieved a remarkable 24 percent reduction in poverty and 40 percent reduction in extreme poverty over the past decade. The Government of Rwanda has a continued strong political and financial commitment to the Social Protection (SP) sector as a key vehicle for addressing poverty<sup>1</sup>, with public transfers<sup>2</sup> among four of the main drivers of poverty reduction over the last five years. The SP sector is increasingly funded by the government, with SP spending adjusted for inflation increasing by more than 13 times in real terms between 2004 and 2010/2012, and spending on cash transfers alone expanding more than 14 times.<sup>3</sup> Also, Government continues to demonstrate strengthened capacity both in policy dialogue and delivery in the line ministries, providing a solid foundation for strengthening the overall SP system.

2. Even given Rwanda's impressive achievements in reducing poverty, important challenges remain: 44.9 percent of the population lives in poverty, 24.1 percent lives in extreme poverty, and GNI per capita is US\$570.<sup>4</sup> Generally, much work remains to ensure the extension of the coverage

<sup>1</sup> Source: EICV Poverty Report, 2012.

<sup>2</sup> Poverty fell from 58.9 percent in 2000/01 and 56.7 percent in 2005/06 to 44.9 percent in 2010/11, while extreme poverty fell from 40 percent in 2000/1 and 35.8 percent in 2005/6 to 24.1 percent in 2010/11.<sup>2</sup> Government of Rwanda. The Evolution of Poverty in Rwanda (Page 29). February 2012.

<sup>3</sup> Government of Rwanda and the World Bank (2012). Social Safety Net Assessment.

<sup>4</sup> 2011 data.

of SP programs to poor households to maximize poverty reduction.<sup>5</sup> In particular, poverty remains high among households with many children, and child malnutrition continues to affect 44 percent of Rwandan children under five.<sup>6</sup> Finding appropriate strategies for addressing rural poverty is key as more than 90 percent of the poor live in rural areas and households that rely on farm wage labor continue to be among the poorest. In addition, climate-related risks exacerbate the problems 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. Also, while Government has successfully expanded its social protection cash transfers over the last five years, a number of implementation and second-generation policy issues remain to be addressed in order for an integrated SP system to be achieved.<sup>7</sup>

## II. Operation Objectives

3. The PDO for the Third Support to Social Protection System (SSPS-3) is to “support the efforts of the Government of Rwanda to enhance the effectiveness and expand the coverage of its SP system.” The proposed operation, which is the last in a series of three development policy operations (DPOs), is a US \$70 million equivalent IDA grant.

4. The SSPS series is focused on four critical areas: (i) Strengthening policy development and management capacity of the social protection (SP) sector; (ii) Integrating management information systems (MIS) for the main SP programs; (iii) Establishing operational links between SP and early warning systems; and (iv) Expanding the coverage and enhancing the harmonization of SP interventions in the country.

### *Strengthening policy development and management capacity of the SP sector*

5. The DPO series has allowed Rwanda to advance the quality of policy dialogue under the leadership of the Ministry of Local Government (MINALOC) which has directly contributed to improved policy and strategic maturity in the social protection sector. In addition and as a result, the operations have contributed to the establishment of the Rwanda Local Development Support Fund (RLDSF) as the primary agency for operationalizing Rwanda's social protection system. Support has included strengthening the management capacity of for SP within the MINALOC and RLDSF, establishing social protection working groups to guide social protection policy design, and strengthening the targeting system for selecting beneficiaries at the geographical and household level. Today the *Vision Umerenge Program* (VUP) is well-established with four pillars: direct support cash transfers for extremely poor households, public works for poor households with labor capacity, financial services, and community capacity building.

### *Integrating Management Information Systems (MIS) for the main SP programs*

6. MINALOC is in the process of developing a full SP MIS, is piloting an MIS for monitoring the VUP and local economic development programs, and has established a grievance and redress system to ensure good governance and accountability.

### *Establishing Operational Links between Social Protection and Early Warning Systems*

7. Policy guidelines and specific contingency plans have been developed to inform social protection responses to natural disasters. These contributions from the social protection are a key

---

<sup>5</sup> Government of Rwanda and Oxford Policy Management. EICV3 Thematic Report: Social Protection. August 2012.

<sup>6</sup> Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS-2); Third Integrated household Living Conditions Survey (EICV3) available <http://statistics.gov.rw/images/PDF/Main%20EICV3%20report.pdf>

<sup>7</sup> Government of Rwanda and the World Bank (2012). Social Safety Net Assessment.

ingredient in MIDIMAR's (Ministry of Disaster Management and Refugee Affairs) national plan for confronting natural disasters.

### *Expanding Coverage and Enhancing Harmonization of Social Protection Interventions*

8. There is now improved harmonization across the three major social protection programs and the main VUP program is present in almost half of the geographical sectors in the country. Common indicators and regular reporting on progress within the social protection sector is now an integral element in Joint Sector Reviews. The ongoing implementation of the harmonization policy envisages that similar components in other agencies will be mainstreamed into the RLDSF/VUP.

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

9. Government has established social protection as a priority in its ambitious 5-year goal to reduce the poverty rate to less than 30 percent and the extreme poverty rate to 9 percent<sup>8</sup> by 2018. Rwanda is a pioneer among lower income countries in building an integrated SP system closely tied to national poverty reduction goals. The World Bank continues to be a trusted partner in Rwanda's efforts to address poverty and boost productivity, with an important role in supporting Rwanda's work in social protection. 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.

10. This proposed Third Support to Social Protection Systems (SSPS-3) operation of \$70 million equivalent, the last in a programmatic series of three development policy operations (DPOs), is central to the World Bank's Social Protection (SP) engagement in the country. This commitment is outlined in the Country Assistance Strategy (CAS) (2008-2012 and extended until 2013). The SSPS series supports the second strategic theme of the CAS: to reduce social vulnerability and "to ensure that the most vulnerable Rwandans also benefit from growth and help Rwanda make further progress in building a more stable society". The SSPS-3 also provides support to the Government's second Economic Development and Poverty Strategy (EDPRS-2 2013-2018) and National Social Protection Strategy (NSPS-2 2013-2018). The operation is fully aligned with the World Bank's twin goals of eliminating extreme poverty and boosting shared prosperity. It is also aligned with the World Bank's Africa Strategy<sup>9</sup> (supporting its second pillar on vulnerability and resilience) and the global<sup>10</sup> and Africa Social Protection Strategies.

11. The IMF and the authorities have agreed to formulate a new PSI program starting in early 2014 for another 3 years. The new PSI represents a continuation of the authorities' prudent approach to economic policy. The fiscal framework aims to increase revenue mobilization, adjust spending to available resources, while protecting priority spending, and minimizing domestic financing to leave ample scope for private sector credit growth. On the monetary side, the BNR remains committed to low inflation and financial sector stability and is building its capacity to achieve these objectives. The Bank and the Fund have been closely collaborating in Rwanda. Bank staff member participates in the Fund missions and sometimes the Fund's internal meetings and vice versa. The Joint Staff Advisory Note (JSAN) for the EDPRS 2 and the DSA have been recently completed.

---

<sup>8</sup> Economic Development and Poverty Reduction Strategy 2013-2018, page 1.

<sup>9</sup> World Bank. March 2011. Africa's Future and the World Bank's Support to It. Washington DC: World Bank.

<sup>10</sup> World Bank. 2012. Resilience, Equity and Opportunity: the World Bank's 2012-2022 Social Protection and Labor Strategy.

#### IV. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	70
Borrower/Recipient	
IBRD	
Others	
Total	<hr/> 70

#### V. Institutional and Implementation Arrangements

12. The Recipient of the SSPS-3 is the Republic of Rwanda, represented by the Ministry of Finance and Economic Planning (MINECOFIN). A single-tranche development policy grant equivalent US\$70 million would be made available following approval and notification by IDA of financing effectiveness. The proposed Grant will follow the Bank's disbursement procedures for development policy operations with the Grant proceeds being disbursed against satisfactory implementation of the development policy program and the maintenance of a satisfactory macroeconomic framework. Disbursements will not be linked to specific purchases and no procurement requirements will be necessary. However, the proceeds of the Grant cannot be used for ineligible expenditures.

13. The SSPS results and policy framework includes 12 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 sectors review that provide sector performance on policy, outputs and outcomes and makes recommendations for the next six months. The main program, the VUP is also closely monitored through a division within the RLDSF that is primarily focused on M&E. Both the RLDSF and other programs are the main providers of monitoring and evaluation information for the SWG JSR evaluations.

14. As part of Government's commitment to results-based policy, an impact evaluation of VUP has been launched and MINALOC has established a Monitoring and Evaluation Steering Committee. The impact evaluation of VUP began with a baseline in 2009 and a follow-up in 2011 but remains constrained by the small sample of VUP beneficiaries. A third wave of VUP impact evaluation, supported by the Bank, scheduled for 2013-14. The evaluation design and tools for this operation (questionnaires, handbooks) have already been developed, a national survey firm selected and contract negotiations are currently under way.

#### VI. Risk and Risk Mitigations

15. The key risks to program outcomes and benefits include: (i) vulnerability to external shocks to the environment; (ii) dependence on external foreign assistance that can affect implementation of the NSPS-2, including the scale-up plans of VUP; (iii) the challenge of intergovernmental coordination between agencies under the Ministry of Local Government (MINALOC) and between MINALOC and other agencies; and (iv) program-specific risks.

16. Rwanda's short- to medium-term outlook is vulnerable to external shocks as large trade imbalances persist. The government recently developed a National Export Strategy to address its trade imbalances and has adopted measures to increase its revenue mobilization efforts. However, it appears that heightened uncertainty in the global economy, including volatile commodity prices and export demand, and the potential adverse impact of the sovereign debt crises in Europe will persist.

17. Approximately 40 percent of the Government budget is financed by external foreign assistance. Last FY, some budget and project financing was been suspended (including in the social protection sector) and the government experienced an unforeseen drop in revenues. However, actual versus planned budget execution remained at close to 90 percent. The Government intends to allocate more funds to the PW program during its budget review exercise. The Government's commitment is reinforced in the recently approved medium-term expenditure framework of NSPS-2, aligned with the EDPRS-2.

18. The ongoing challenge of intergovernmental coordination between agencies under MINALOC as well as between MINALOC and other agencies requires ongoing effort to maximizing effectiveness of programs. MINALOC has developed a harmonization policy framework - with support from SSPS series – to provide medium term guidance for harmonizing some of the interventions in the sector.

19. Program-specific risks include: (a) the country's limited capacity for implementing social protection interventions; (b) a lack of final impact evaluation results; and (c) the possibility for the program's benefits to be received by non-eligible recipients as the program expands. To mitigate these risks, MINALOC is taking multiple steps, several supported under the SSPS reform program and by other development partners.

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

### *Poverty and Social Impacts*

20. The proposed policy reforms are expected to contribute to the overall objectives of the NSPS-2 to reduce poverty and vulnerability. They will do so by supporting the government's effort to build SP systems that will allow delivery of transfers to the extremely poor segments of its population in an effective, predictable, and sustainable manner while contributing to equitable growth and a reduction in extreme poverty.

21. While Rwanda has made remarkable progress in poverty reduction and toward achieving 6 of the MDG goals, Rwanda is unlikely to achieve the 2015 MDG-1 target for poverty and hunger eradication. The positive developments include progress toward MDG-3 on gender equality; significant improvements in maternal and children health (MDG4/5); and success in containing HIV prevalence around 3 percent since 2005 (MDG-6). Also, Rwanda has made progress in expanding access to education, including for girls, with primary school enrollment having increased to 91.7 percent in 2010/2011. While secondary and tertiary education is still lagging, Rwanda is on track to meet its MDG-2 related target by 2015. However, significant progress is still needed to address poverty, hunger and malnutrition (MDG1/2). While Rwanda has achieved significant success in lowering its poverty from 58.9% in 2000/01 to 44.9% in 2011/12 (see table Annex 8), it still has a long way to go to reach its 2018 target of 30%. Also, malnutrition remains a significant challenge given that malnutrition and stunting remain among the most serious health problems in Rwanda. Nationwide, 44% of children under age of 5 are stunted and 17% are severely stunted. This is paralleled with challenges to ensure environmental sustainability (MDG 7), where Rwanda's natural resources are under pressure from a growing population. See Annex 8 for further details on MDG progress to date.

22. Several of the policy measures in this proposed program will improve the living standards of the poor (a) *directly* through reforms to SP programs and systems, including expansion of coverage and enhancement of harmonization of SP interventions in the country and establishment of operational links between SP and early warning systems to protect poor and vulnerable citizens at time of a disaster or through preventive measures to mitigate negative impact of such disaster, and (b) *indirectly* by strengthening the policy development and management capacity of the SP Sector

and introducing a key building block of a effective SP system through an integrated management information systems (MIS) for the main SP programs. It is also has elements imbedded in its policy to address gender issues.

23. Gender equality remains a key priority of Government's EDPRS-2 growth agenda, where family and gender is identified as a key cross-cutting priority.<sup>11</sup> Government is introducing a holistic and multi-sectoral approach to enable women and men to participate, access, control and benefit equally from growth processes that recognize their different needs. This policy is family-centered and includes, for example, aims to close the residential care institutions and reintegrate vulnerable children into family environments and to provide quality support to vulnerable families through village-based childcare volunteers. Expanding the coverage of social protection to vulnerable families and harmonizing MINALOC's community sensitization approaches with the child development social services policies being developed will allow for strengthened support to poor families, both through increased access to income and through community-based support.

#### *Environment Aspects*

24. The specific policies supported by the SSPS series are expected to have overall positive effects on Rwanda's environment, forests, water resources, habitats or other natural resources. All other effects would be negligible. The risk of unanticipated adverse effects to the environment and natural resources is very small. Rwanda has in place adequate environmental controls and legislation under the mandate of Rwanda Environment Management Authority (REMA), providing support to line-ministries including MINALOC in incorporating environmental guidelines in the operational manual for its VUP public works program. Also, the Bank is supporting REMA with technical assistance to take account of climate risks and opportunities and with land policy technical assistance to review sustainable land management practices.

### **VIII. Contact point**

#### **World Bank**

Contact: Laura Rawlings

Title: Lead Social Protection Specialist, Task Team Leader

Email: lrawlings@worldbank.org

#### **Borrower**

Contact: Ronald Nkusi

Title: Director, External Finance Unit, Ministry of Finance and Economic Planning

Tel: 250-252596130

Email: Ronald.nkusi@minecofin.gov.rw

### **IX. 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

Web: <http://www.worldbank.org/infoshop>

---

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