



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 06-Mar-2020 | Report No: PIDC27899



BASIC INFORMATION

A. Basic Project Data

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|---------------------------------------|--|---|--|
| Country Rwanda | Project ID P171554 | Project Name Rwanda - Human Capital for Inclusive Growth (P171554) | Parent Project ID (if any) |
| Region AFRICA | Estimated Board Date Dec 08, 2020 | Practice Area (Lead) Social Protection & Jobs | Financing Instrument Development Policy Financing |
| Borrower(s) The Republic of Rwanda | Implementing Agency Rwanda Social Security Board, National Early Childhood Development Program, Ministry of Education, Ministry of Local Government, Ministry of Health | | |

Proposed Development Objective(s)

The Program Development Objective is to promote inclusive growth by supporting the sustained and effective implementation of policies and programs that enable accelerated human capital development, including in the poorest households.

Financing (in US\$, Millions)

SUMMARY

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|------------------------|--------|
| Total Financing | 125.00 |
|------------------------|--------|

DETAILS

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| Total World Bank Group Financing | 125.00 |
| World Bank Lending | 125.00 |

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

To address a key structural bottleneck in Rwanda’s inclusive growth and poverty reduction agenda, the Government of Rwanda (GoR) is committed to accelerate human capital development as a high priority. Rwanda’s progress on sustaining economic growth at about 5 percentage points a year for over two decades and achieving all the Health-related Millennium Development Goals have been widely recognized. However, translating strong growth into commensurate gains in poverty reduction and shared prosperity is a current challenge. The World Bank’s Human Capital Index (HCI) estimates that a child born today in Rwanda will be just 37 percent as productive as an adult compared to what he/she could have achieved with complete education and full health. To accelerate human capital gains, key challenges that need to be urgently addressed include a high rate of child stunting, low levels of educational attainment and learning, and a high total fertility rate of 4. In addition, social safety net coverage also remains lower than what is needed to make human capital gains among the poorest households. Recognizing these challenges, Rwanda was among the first countries to join the World Bank’s Human Capital Project in 2018. Among other measures, starting with FY19/20, the government has begun a medium-term effort to reverse the trend of declining fiscal allocations to the social sectors in the national budget. The decision to work on the proposed Human Capital for Inclusive Growth (HCIG) Development Policy Operation is linked to the government’s effort to undertake the necessary policy and institutional reforms to enhance the gains sustainably.

Rwanda’s macroeconomic policy framework, despite some risks, is considered adequate for the proposed DPO. Rwanda’s prudent macroeconomic policy has enabled the country to achieve high economic growth and macroeconomic stability in the past decade. The fiscal expansion currently underway continues to rely largely on concessional financing while the national bank’s strong commitment to monetary discipline reduces the risks associated with fiscal expansion. The IMF’s new Policy Coordination Instrument launched in June 2019 supports the GoR in striking a balance between increased spending requirements to implement the National Strategy for Transformation (NST1: 2017-24) and maintaining macroeconomic stability and debt sustainability. Maintaining this balance and arresting steep debt accumulation in the medium term is important for ensuring an adequate macroeconomic policy framework throughout the life of the proposed DPO.

Relationship to CPF

With the current CPF (FY14-FY20) ending in 2020, the proposed DPO is being developed in alignment with the objectives for the new CPF for Rwanda under preparation for the period FY21-FY25. Specifically, this operation will be instrumental in achieving the first objective of the CPF (FY21-FY25), “improved human capital”. This is in response to various analytical pieces¹, which have pointed to the centrality of uplifting human capital development if Rwanda is to achieve its aspiration of becoming an upper-middle income country by 2035. The proposed policy and institutional reform actions under the DPO build upon the World Bank’s existing engagement in the human development sector and pave the way for achieving the CPF objective.

¹ Future Drivers of Growth in Rwanda (2019), Systematic Country Diagnostic (2019), Human Capital Project, Human Capital Index (2018).



C. Proposed Development Objective(s)

The Program Development Objective is to promote inclusive growth by supporting the sustained and effective implementation of policies and programs that enable accelerated human capital development, including in the poorest households.

Key Results

The proposed operation will deliver results through three pillars: i) enhanced coverage of key human capital focused programs; ii) enabling policy and institutional framework for human capital development and iii) improved delivery systems for human capital focused programs. It is expected that integrated policy and institutional actions across these pillars will deliver improved and expanded social services particularly for women, children, students, and young people, to contribute to their increased adult productivity and ultimately to more inclusive growth in the country.

D. Concept Description

The proposed Rwanda Human Capital for Inclusive Growth Development Policy Operation (HCIG DPO) is a programmatic series of three operations aimed at supporting the Government of Rwanda (GoR) in advancing progress on human capital development as a key driver of inclusive growth. The operation embraces a multisectoral approach, identifying policy areas that are aligned with Rwanda's NST1, which recognizes the importance of human capital in building and sustaining broad-based and inclusive growth.

The proposed DPO aims to synergistically address human capital constraints that households face through various stages of life. A proposed foundational reform to strengthen the efficiency of the national targeting system will serve as an enabler for human capital development by supporting improved objective identification of poor and vulnerable households. Various analyses have shown gaps in the current Ubudehe system to objectively target the poor and vulnerable, thereby reducing the impact of poverty-targeted programs. Going forward, a dynamic social registry will help to systematically address this long-standing issue including by improving coverage of the poor for programs such as subsidized Community Based Health Insurance (CBHI). From the lifecycle perspective, the proposed reforms will support decentralized delivery of Integrated Early Childhood Development (IECD) services for all, and expansion of the GoR's flagship safety net program through gender and child sensitive interventions such as Nutrition Sensitive Direct Support Co-responsibility Cash Transfers and Home Based ECD modality under the existing expanded Public Works program. These reforms will enhance the nutrition and cognitive development of young children—a pre-condition for better learning in school. The proposed reforms in education support greater coverage of pre-primary education and improvements in the quality of basic education, through which both girls and boys will make smoother progress to higher grades. These reforms are fully aligned with the recently approved Education Sector Strategic Plan (ESSP: 2018–2024). As this cohort of healthier and better nourished and educated children transitions to youth, they will gain access to skills needed for onward productive work through reforms increasing access to STEM-focused programs across basic and post-secondary levels.

Across the lifecycle, the proposed reforms collectively support advancing of quality health and education services, strong systems and capacity to deliver services at the decentralized level, and better access to the social safety net, especially for families with younger children, to increase their overall resilience and investments in the human capital.

In the health sector, a proposed reform will strengthen the financial sustainability of the CBHI scheme which covers about 70 percent of the Rwandan population. A parallel reform will improve quality of service delivery through increased availability of skilled staff at health facilities. The DPO further addresses key sectoral and cross-cutting governance challenges related to human and social development as highlighted in the Rwanda Governance Scorecard 2010. Issues include poor performance of decentralization and teacher management issues. The proposed reform under this operation



aims to strengthen subnational governance, especially at the lowest levels of cell and sector, which engage most with citizens or communities directly on social sector programs. This will be complemented by a proposed reform to improve teacher management through promoting continuous professional development to enhance teacher skills and competence.

Lastly, the proposed reforms strengthen operationalization of the GoR's multisectoral approach to improve human capital outcomes, including the delivery of multisectoral IECD services. Reforms include strengthening of the public financial management system to effectively manage spending for IECD program across multiple agencies from multiple funding sources improving efficiency of resource allocation.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The Poverty and Social Impact Assessment (PSIA) for this DPO simulates the results of the proposed reforms and quantifies their impact on the poorest. Overall, this DPO aims to expand the coverage of human development services in Rwanda with a special focus on strengthening the inclusivity and sustainability of HD programs. One of the key underlying assumptions is that enhanced funding for HD programs will not come at the expense of other pro-poor programs or at the expense of pro-growth programs disproportionately benefiting the poor. The DPO will also enhance the building blocks for the effective governance of human capital-related programs and enable them to prioritize the poorest households.

Enhanced coverage of key human capital focused programs is expected to have strong benefits for poor households. In the education sector, actions are expected to significantly benefit the poor through improvements in students flow and transition to different grades. In the health sector, the reforms in support of the CBHI will disproportionately benefit the poor. In social protection, given the VUP is Rwanda's flagship safety net targeted to the poor and vulnerable households, expanding the coverage of gender, child, and nutrition sensitive interventions under the VUP, will disproportionately benefit these groups and help them in the formation of human capital. International evidence as well as survey data show that the supported reforms, aiming at increasing the supply and coverage of Early Childhood Development (ECD) Services in Rwanda, will benefit poor households with currently low access to ECD services. Besides contributing to poverty reduction, measures related to teacher quality and strategic investments in STEM learning will also empower women. Actions to strengthen continuous professional development of teachers so they acquire the relevant qualifications is expected to heavily benefit the female teaching workforce, where around 80 percent of pre-primary and 54 percent of primary teachers are women. Creation of a social registry will improve the targeting accuracy of Rwanda's social programs and therefore increase their welfare and human capital outcomes on poor households. The reforms to increase health personnel in public health facilities will benefit low-income areas that are currently underserved.

Environmental, Forests, and Other Natural Resource Aspects

Reforms under the proposed DPO are not expected to have significant direct effects on the environment, forests, or other natural resources. In the unlikely event of any impact, Rwanda has strong institutional arrangements for conservation and protection of the environment. The reforms under this DPO help address climate change adaptation and mitigation in several ways. For example, better use of student enrollment regulations, assessment standards, and remedial support for student progression will allow more students to complete the basic education cycle, thereby benefiting from the new Competence Based Curriculum which includes environmental sustainability and climate change as mandatory topics for all learners. Expanded access to health services through the especially among the poorest households, can mitigate adverse health outcomes linked to climate change induced shocks such as waterborne parasitic



and enteric pathogens and increased levels of malnutrition. A new dynamic social registry will enable improved objective identification of the poorest and most vulnerable households in Rwanda, usually those worst affected by climate and disaster shocks.

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APPROVAL

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Approved By

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| Country Director: | Yasser El-Gammal | 26-Mar-2020 |
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