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Rwanda

Social Protection Budget Brief

Investing in Inclusiveness

2022/2023

Preface

The Social Protection budget brief explores the extent to which the Government of Rwanda (GoR) addresses the needs of children under 18 years of age, particularly those from the most deprived and vulnerable households. This brief analyzes the equity, adequacy, and composition of budget allocations to the social protection sector for the fiscal year (FY) 2022/23 and the past years spending. Financial data used in this analysis are drawn from the Law Determining the State Finances for the 2022/23 fiscal year and the revised State Finance Laws for the previous years.

Key Messages and Recommendations

The social protection (SP) sector continues to be a key sector in the GoR's budgeting process responding to the needs of the most vulnerable households in Rwanda. In FY 2022/23, the SP sector budget accounts for 5.3 percent of the total national budget, up from 4.3 percent in the previous financial year. VUP interventions take up the largest portion of the social protection resources as they represent 37.9 percent of the total sector budget.

- After the emergence of COVID-19 in Rwanda in March 2020, the coverage of VUP safety nets expanded rapidly and further efforts are required to ensure universal access to social protection for the most vulnerable households in Rwanda.
- While commending the decision taken by the GoR to increase the transfer values of two VUP components (Nutrition Sensitive Direct Support and Expanded Public Works) in 2022/23, increasing the level of benefits for other social protection programmes should also be considered to align SP benefits with the cost of living challenges.
- To ensure fiscal sustainability of the SP sector, a medium-term Social Protection Financing and Resource Mobilization Strategy should be developed as a robust framework to guide sector financing.

The budget allocations to complementary child-focused social protection initiatives, mainly after nutrition continues to be prioritized by the government during the planning and budgeting processes. Allocations to child-focused interventions increased from FRW 30.5 billion in 2021/22 to FRW 37.1 billion in 2022/23. This nominal budget increase shows a strong commitment by the government to invest in inclusive development and human capital development. However, to address the challenges facing children, including high stunting rates and child rights protection issues, there is a need to continue generating evidence on social protection programmes impacting children's welfare in Rwanda.



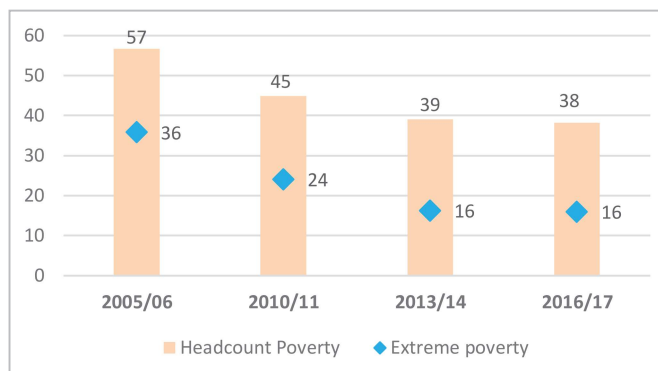
1. Poverty Trends and Social Protection Coverage

The socio-economic crisis brought about by the COVID-19 pandemic demonstrated the relevance and importance of having strong social protection systems in place to support vulnerable households and individuals during hard times. In June 2020, the GoR adopted the new Social Protection Policy to guide all interventions addressing different forms of vulnerability, including disability, old age, genocide survivors, and other vulnerable citizens. It also called for more ambitious, inclusive, and preventative approaches to social protection, including creating an enabling environment for protection against a range of risks for all citizens.

The Social Protection Policy defines social protection as “all public and private income transfers schemes, social care services, livelihood support and insurance schemes that, together, ensure that all extremely poor and vulnerable people have income security, a dignified standard of living and are protected against life-cycle and livelihoods risks with a view to achieving sustainable graduation and self-reliance (p.10).”

According to the fifth Living Conditions Survey (EICV5), 38.2 percent of Rwanda’s population lived below the nationally determined poverty line in 2016/17, down from 39.1 percent in 2013/14, while extreme poverty stands at 16 percent compared to 16.3 percent in 2013/14 showing a plateauing trend (Figure 1). It is believed that the COVID-19 pandemic reversed poverty reduction gains of the past decades in Rwanda. Further updates on monetary poverty indicators are expected to be available in early 2024 after completion of the next EICV survey.

Figure 1: Poverty and extreme poverty trends (%)

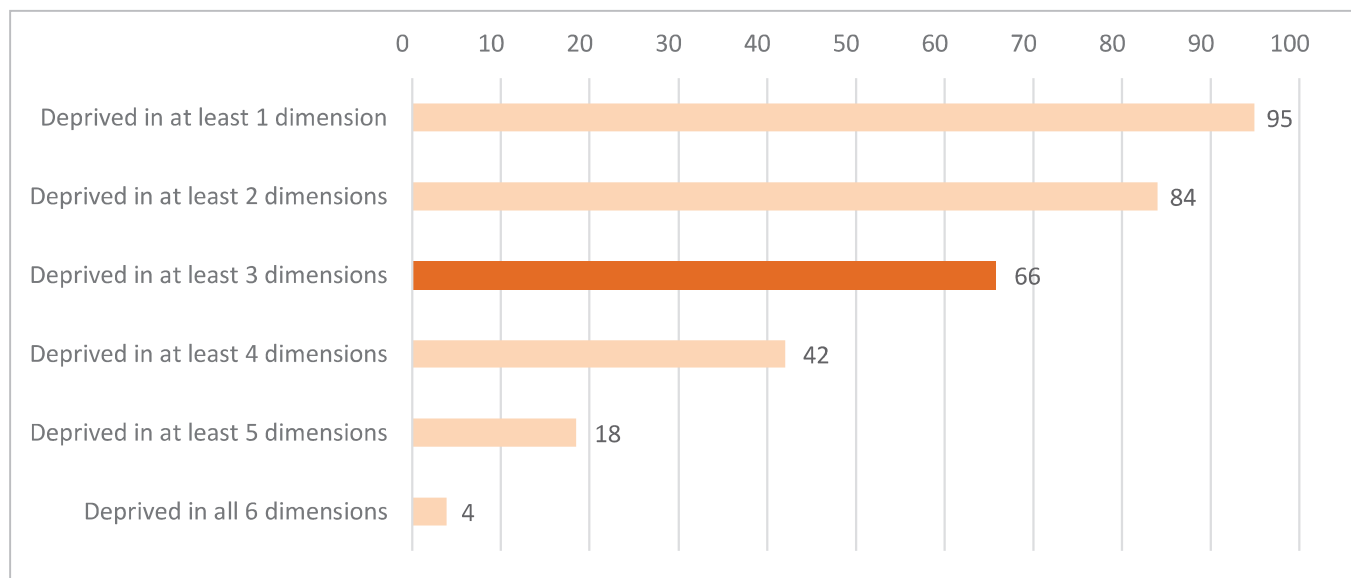


Source: EICVs report-National Institute of Statistics of Rwanda

According to the Multiple Overlapping Deprivations Analysis (MODA) conducted by UNICEF and the National Institute of Statistics of Rwanda (NISR) in 2021, 66 percent of Rwandan children under the age of five face at least three deprivations, with a great divide observed among urban (43 percent) and rural (70 percent) children.

Among children aged between 0-23 months, the highest deprivation levels are found in the Housing and Nutrition dimensions with rates of 72 percent and 65 percent respectively. Among children aged between 24-59 months, the greatest number of deprivations are observed in the Housing (70 percent), Sanitation (57 percent) and Health (53 percent) dimensions.

Figure 2. Multidimensional deprivation headcount ratio (H) (%) at national level for each threshold, 0-4 years



Source: Calculation based on Rwanda DHS 2019-20

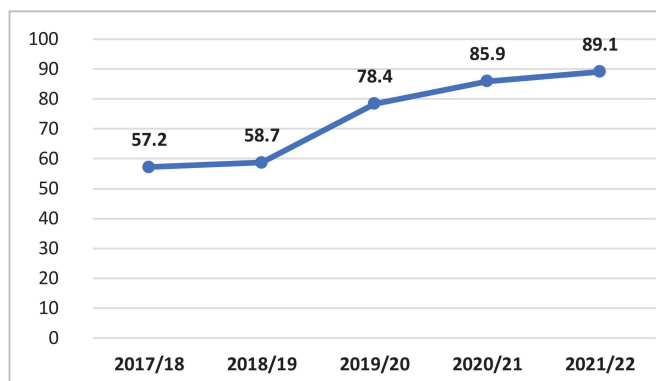
¹ MODA 2021 used data from the sixth Demographic and Health Survey (2019/2020) and covered under 5 children.

Eligible population covered by core Social Protection programmes

The share of the eligible population covered** by core social protection schemes (Vision Umurenge Programme-VUP, Rwanda Demobilization and Reintegration Commission (RDRC) and Genocide Survivors Assistance under MINUBUMWE) has increased from 57.2 percent in 2017/18 to 89.1 percent in 2021/22 (**Figure 3**). This increase is mainly attributed to the expansion of VUP Public Works (both classic and expanded) and the introduction of the Nutrition Sensitive Direct Support (NSDS) safety net in 2019/20 which benefits children, pregnant and lactating mothers from the *Ubudehe* category 1 and 2. However, the coverage of social protection by total Rwandan population shows that only 11.6 per cent (June, 2022) are covered by at least one social protection intervention, while poverty data show that 16 per cent live in extreme poverty.

Furthermore, it is also important to note that the current targeting system which relies primarily on the old *Ubudehe* categories (1 to 4) presents exclusion and inclusion errors implying that some of the most vulnerable households are not covered while some non-poor households are targeted for SP benefits. Therefore, a social registry which will be rolled out gradually from 2023 will help strengthen targeting through the introduction of a household welfare scorecard based on evidence.

Figure 3: Trends of Social Protection Coverage (%) by eligible population



Source: Social Protection Joint sector review Reports

**The following variables are taken into consideration while computing the coverage of social protection: (i) the number (projection) of people living in extreme poverty in 2021, (ii) the number of people who received social protection support under various VUP components (ePW, cPW, Direct support, Financial Support, NSDS). Where social benefits target a household, a multiple of four (average household size) was applied to produce the population numbers.



2. Trends in Government Spending for the Social Protection Sector

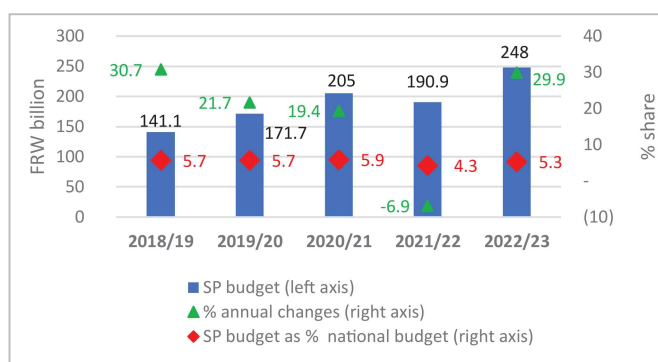
2.1. The Size of Government Budget in the Social Protection Sector

The GoR has allocated more funding to the social protection sector in recent years to respond to the needs of poor and vulnerable households. In 2022/23, the budget for the social protection sector amounts to FRW 248.0 billion compared to FRW 190.9 billion in 2021/22. This reflects a nominal budget increase of 29.9 percent. As a share of the national budget, the budget for the social protection sector accounts for 5.3 percent, up from 4.3 percent in 2021/22 (Figure 4).

Figure 5 shows that the budget for non-contributory social protection interventions has hovered around two percent of GDP for the past five years. This is consistent with the budget spent by many other developing countries on social protection programmes. From the fiscal year 2022/23, Local Administrative entities Development Agency (LODA) has approved an increase of monthly benefits from FRW 10,000 to FRW 15,000 for Expanded Public Works (ePW), while the transfer value of Nutrition Sensitive Direct Support (NSDS) increased to 10,000 up from FRW 7,500. However, the size of benefits from other social protection schemes has remained constant. A medium-term Social Protection Financing and Resource Mobilization Strategy should be developed to provide a more robust framework for fiscally sustainable sector financing, propose reforms to adjust transfer values to respond to the needs of vulnerable households, and devise measures for a comprehensive Cash Plus integrated package to accelerate graduation and enhance households' resilience to shocks.

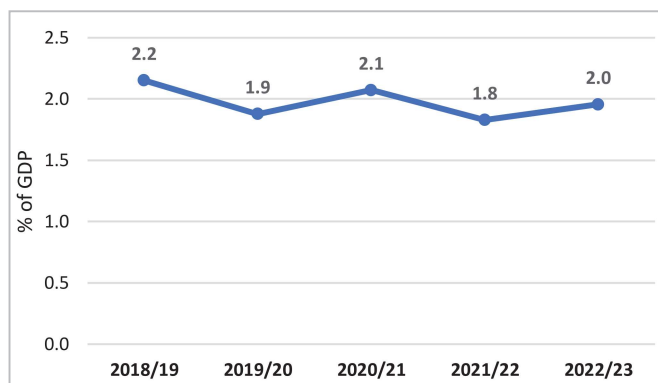
According to the Ministry of Finance and Economic Planning (MINECOFIN), the main focus for social protection in 2022/23 is on the following priorities: (i) implementing multi-sectoral interventions for the eradication of extreme poverty by scaling up the coverage of social protection programmes including VUP classic Public Works and expanded Public Works, (ii) supporting vulnerable people with skills development and grants, (iii) supporting eligible vulnerable households with VUP direct support, (iv) addressing human security issues in districts through housing construction for needy genocide survivors and housing construction and rehabilitation for vulnerable households, (v) strengthening the effectiveness of delivery by operationalizing para-social workers and national social registry; (vi) strengthening capacities of community structures (Umugoroba w'Imiryango, Inshuti z'Umuryango), and (vii) fighting against family conflicts, gender-based violence (GBV), child abuse, teenage pregnancy and reintegration of street children into families.

Figure 4: Social protection sector budget trends



Source: State finance laws

Figure 5: Proportion (%) of social protection budget to National GDP



Source: State finance laws and Macroeconomic Framework data

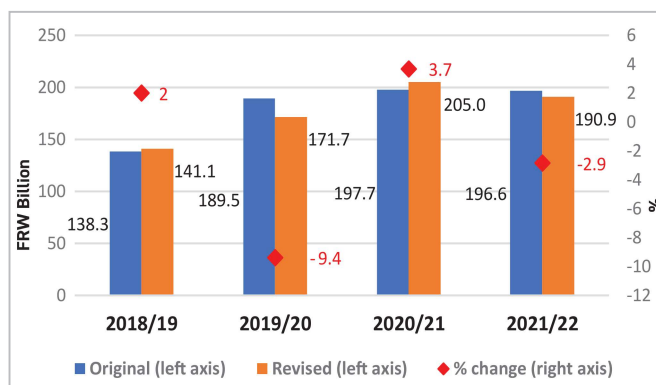


2.2. Changes in Social Protection Sector Budgets

A comparison of the original and revised social protection budget allocations shows a fluctuation characterized by both downward and upward budget revisions. While the budget was revised upward by 3.7 percent during the fiscal year 2020/21, it was revised downward by 2.9 percent in 2021/22. The originally allocated budget in 2021/22 FY was FRW 196.6 billion and was revised down to FRW 190.9 billion (**Figure 6**). The main SP programme recording a budget cut is the Local Development Initiatives programme (local government and social protection transformation projects) with a reduction of 36.4 percent.

COVID-19 and its associated socio-economic crisis emphasized the importance of social protection programmes to support vulnerable households during hard times. There is a need, however, to engage in more evidence generation on the impact of social protection interventions including cash plus, further strengthen shock-responsive systems, and adequately respond to the needs of the poor and other vulnerable people during emergencies.

Figure 6: Social protection budget changes: original vs revised budget (in FRW billion)



Source: State finance laws

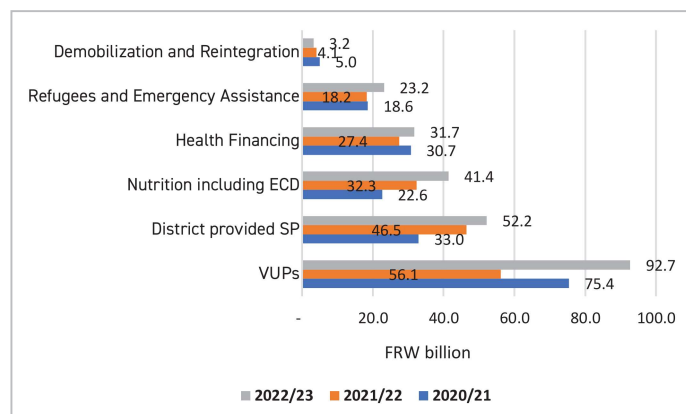


3. Composition of Social Protection Sector Spending

3.1. Budget Allocation in Selected Social Protection Programmes

Budget allocations for VUP interventions continue to dominate the social protection budget. In 2022/23, the resources allocated for the VUP amounted to FRW 92.7 billion, up from FRW 56.1 billion in 2021/22. The budget for nutrition support including ECD has increased from FRW 32.3 billion in 2021/22 to FRW 41.4 billion in 2022/23. The budget for health financing including government subsidies to the Community Based Health Insurance (CBHI) has increased from FRW 27.4 billion in 2021/22 to FRW 31.7 billion in 2022/23. Further budget increase was observed under the Refugee and Emergency Assistance programme which increased from FRW 18.2 billion to FRW 23.2 billion during the same period (Figure 7).

Figure 7: Allocation to Social protection key programmes (FRW billion)

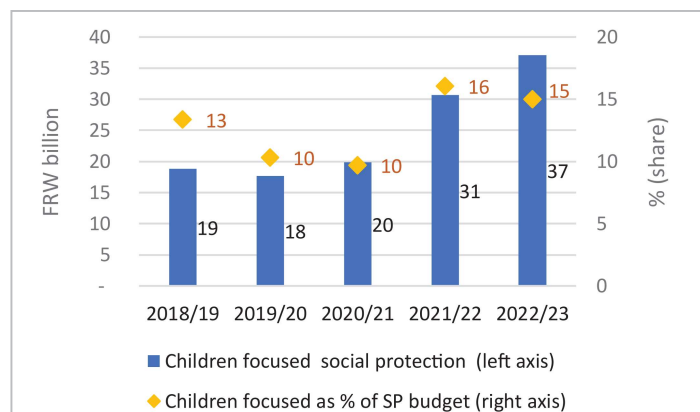


Source: State finance laws

3.2. Complementary Child-focused Social Protection Initiatives

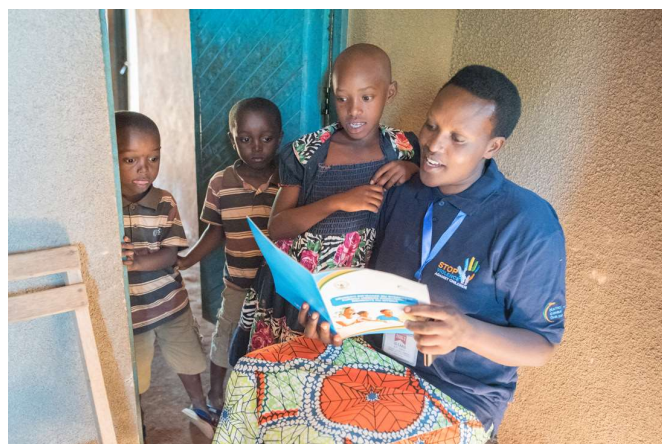
The budget allocations to complementary child-focused social protection initiatives* continue to be prioritized by the government. They registered an increase from FRW 30.5 billion in the 2021/22 revised budget to FRW 37.1 billion in 2022/23. However, as a share of the total social protection budget, the child-focused social protection budget declined from 16.1 per cent in 2021/22 to 15.0 per cent in 2022/23 (Figure 8). To address challenges facing children (e.g., high stunting rate and child protection issues), there is a need to continue investing in generating evidence on how social protection programmes impact children's welfare in Rwanda.

Figure 8: Budget allocation to child-focused SP interventions



Source: State finance laws

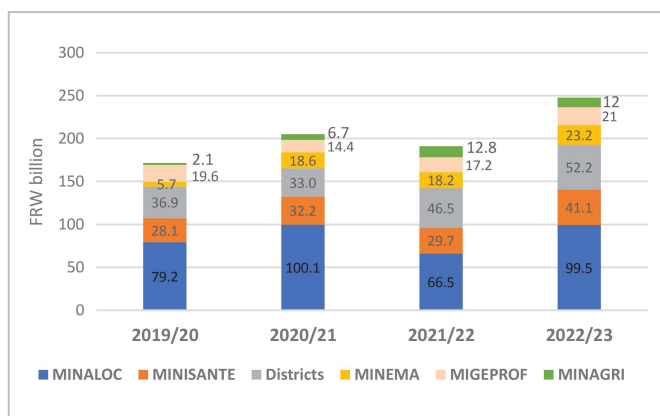
* Child-focused social protection programmes include allocations for ECD coordination (including Nutrition), and Child Rights Protection and Promotion led by the National Child Development Agency (NCDA), the Nutrition sub-programme of the Ministry of Health (MINISANTE), the Nutrition Sensitive Agriculture programmes of the Ministry of Agriculture (MINAGRI), and allocations under Child Rights Protection and Promotion programme of the Ministry of Gender and Family Promotion (MIGEPROF).



3.3. The Social Protection Budget Allocation by Spending Ministries and Districts

The Ministry of Local Government (MINALOC) and affiliated agencies are the main spending institutions of the social protection sector budget. The GoR allocated FRW 99.1 billion to MINALOC in 2022/23 representing 40.1 percent of the sector budget. This fiscal year, the Ministry of Health was allocated FRW 41.1 billion, the Ministry of Emergency Management (MINEMA) was allocated FRW 23.2 billion, the Ministry of Gender and Family Promotion (MIGEPROF) was allocated FRW 21.0 billion, and the Ministry of Agriculture (MINAGRI) plans to spend RWF 12.0 billion on social protection related programmes in 2022/23 (Figure 9). The existence of several institutions involved in the implementation of social protection programmes emphasizes the need for strong coordination and integrated monitoring mechanisms at different levels of government to enhance the effectiveness and resource efficiency in service delivery.

Figure 9: Social Protection budget by spending institutions (FRW billion)

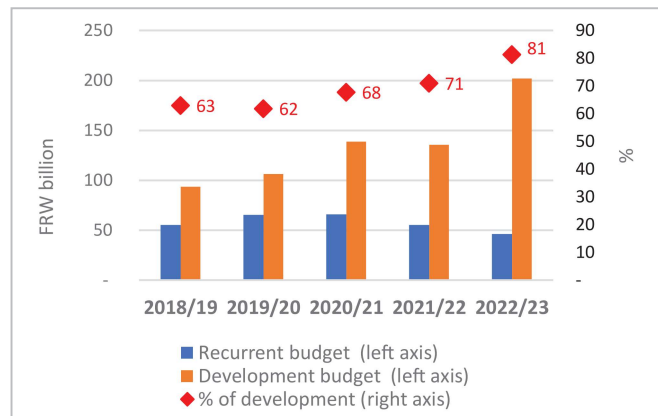


Source: State finance laws

3.4. The Social Protection Sector Budget by Recurrent and Development Categories

The data show that allocations for development interventions under the social protection budget, as defined by the finance laws, have been increasing over the past years. In 2022/23, the development budget accounts for 81.4 percent of the total social protection budget, up from 71.0 percent in 2021/22. The recurrent budget, however, continues to show a decreasing trend, from FRW 55.4 billion in 2021/22 to FRW 46.0 billion in 2022/23 (Figure 10). The expansion of public works, the increase in transfer values of two safety net schemes (e-PWs and NSDS) and Cash Plus initiatives could explain the recent increase in the development budget under social protection. It is important to note that external funds (except for budget support) are mostly recorded under the development budget in the finance law and these may cover both recurrent and capital expenditure.

Figure 10: Social protection budget by recurrent vs development categories



Source: State finance laws

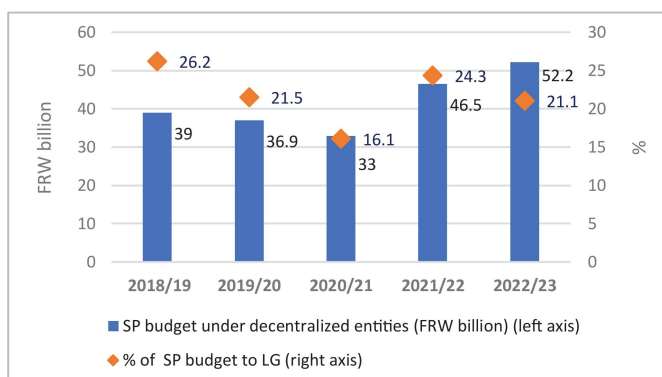


4. Decentralization of Social Protection Sector Spending

Decentralized entities (Districts and the City of Kigali) implement key social protection interventions through earmarked funds. The allocations for SP at local government levels have increased for the past two years. A declining trend was observed from 2018/19-2010/21, following which the decentralized budget for social protection increased from FRW 46.5 billion in 2021/22 to FRW 52.2 billion in 2022/23. However, as a share of the total social protection budget, district allocations account for 21.1 percent of total resources in 2022/23. This is slightly down from the 24.3 percent allocated in 2021/22 (Figure 11).

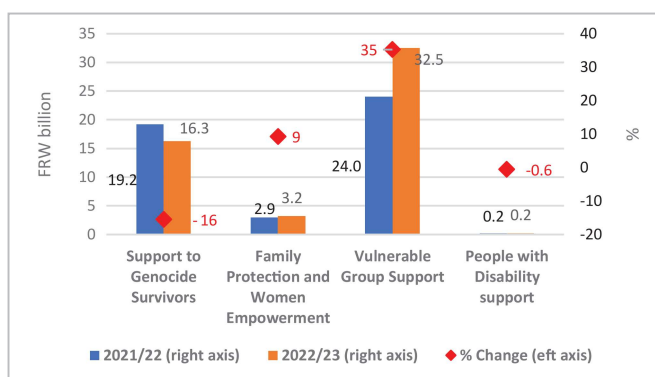
Further analysis of social protection programmes at local levels shows that the budget for the Vulnerable Group sub-programme has increased by 35.3 percent from FRW 24.0 billion in 2021/22 to FRW 32.5 billion in this fiscal year. The budget for Family Protection and Women Empowerment has increased to FRW 3.2 billion from FRW 2.9 billion in 2021/22. However, the budget to the Genocide Survivors Support sub-programme reduced to FRW 16.3 billion in 2022/23 down from FRW 19.2 billion in 2021/22, translating into a budget fall of around 16.0 percent (Figure 12). The budget reduction under this sub-programme can be partly explained by the phasing out of FARG-supported interventions such as the education assistance programme.

Figure 11: Decentralized SP budget



Source: State finance laws

Figure 12: Decentralized budget allocations by SP programmes



Source: State finance laws



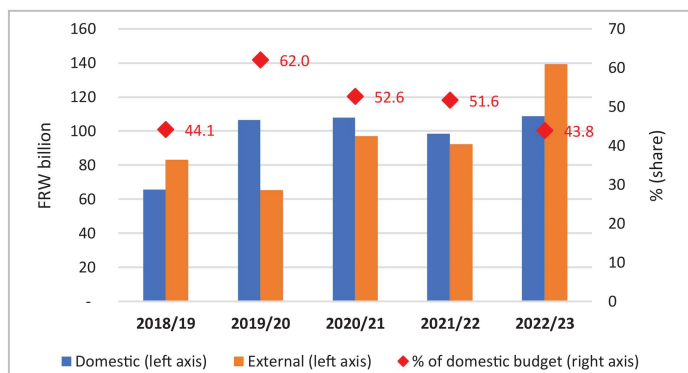
5. Financing the Social Protection Sector

Both domestic and external resources for the social protection sector have increased since 2021/22, but more external resources were mobilized. In 2022/23, allocations from external sources amount to FRW 139.2 billion, up from FRW 92.4 billion in 2021/22. The domestic resources for social protection total FRW 108.7 billion in 2022/23, up from FRW 98.5 billion in 2021/22. The domestic share of the budget for social protection continues to show a downward trend representing 43.8 percent in 2022/23, down from 51.6 percent in 2021/22 (**Figure 12**). To increase the sustainability and predictability of social protection financing, integrated strategies should be formulated to increase domestic resources for the sector, including tax measures and exploring options of strengthening medium term commitments by donors.

The following are the key development partners providing both external financing and technical support to Rwanda's social protection sector: (i) the UK Foreign, Commonwealth & Development Office (FCDO), (ii) the World Bank, (iii) the German Development Bank (KfW), (iv) Enabel (v) ONE UN (UNICEF, WFP, ILO, UNHCR, FAO and UNDP). The recent increase in external finances is an indication of strong interest among the development partners (donors) to support the social protection sector.

The GoR should continue leveraging strategic partnerships with key donors for medium term financing pledges while increasing the domestic budget allocated to social protection. This will ensure that all households living in extreme poverty are supported through the VUP and that the scale up of these investments is sustainable in the medium and long term.

Figure 13: Financing of social protection sector (FRW billion and %)



Source: State finance laws



6. Other Developments in the Social Protection Sector

The Social Protection Sector has been expanding in the past years and is expected to continue growing in the short and medium term, especially when new policy instruments and programme documents are approved by the government. Ongoing policy revisions include but are not limited to:

- The revised VUP Programme document that embraces the lifecycle approach which will introduce age specific grants (child and old age grants) and disability grants.
- The revised household Ubudehe categories which are development centered and structured in a way that incentivizes improvements to household welfare and accelerates graduation out of poverty.
- A National Strategy for Sustainable Graduation which aims to support the operationalization of the strategic approach to graduation out of poverty as articulated in Social Protection Policy, NST1 and the Social Protection Strategy (2018-2024).
- The introduction of a dynamic Social Registry which will serve as a primary source of information for targeting social protection beneficiaries and strengthening access to other social services.
- The Mid-Term Review (MTR) of the Social Protection Strategy which will inform recent advances and areas of further reforms over the next generation of National Strategy for Transformation (NST).



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Endnotes

ⁱ https://www.minaloc.gov.rw/fileadmin/user_upload/Minaloc/Publications/Policies/Social_Protection_Policy_Adopted__1_.pdf

ⁱⁱ It comprises two major categories: the core programmes, which include the Vision 2020 Umurenge Programme (VUP), the Genocide Survivors Support and Assistance Fund (FARG), and the Rwanda Demobilization and Reintegration Commission (RDRC) and complementary social protection programmes or cash plus initiatives

ⁱⁱⁱ The State of Social Safety Nets report by World Bank (2018) reports that developing, and transition economies spend an average of 1.5 percent of gross domestic product (GDP) on social safety net programmes.



United Nations Children's Fund
Ebenezer House
1370 Umuganda Boulevard
Kacyiru
Kigali

P O Box 381
Kigali

Tel: +250 788 162 700
Email: kigali@unicef.org
Web: www.unicef.org/rwanda



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