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Social Protection Budget Brief

Investing in inclusiveness 2020/21

Social Protection Budget Brief: Investing in inclusiveness
2020/2021

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Preface

The Social Protection Sector 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 2020/21, in addition to past spending. The analysis is based on figures from the 2020/21 finance law and the revised budget for previous years.

Key Messages

- The Government of Rwanda has developed a Social Protection response plan to assist vulnerable households affected by COVID-19** estimated at FRW 133.6 billion (US\$ 141.7 million), representing around 1.5 percent of Rwanda's GDP. However, there is a need to link the costed social protection response plan and sectoral budget allocations with the implementation arrangement to be able to identify the potential funding gaps for the short and long-term needs.
- In the 2020/21 Fiscal Year, the Government of Rwanda has allocated FRW 198 billion to the Social Protection Sector up from FRW 171.7 billion, reflecting a nominal increase of 15.2 percent.** The increasing trend of the social protection budget illustrates the government's commitment to strengthen social protection programs to ensure inclusive and pro-poor development. However, further efforts to expand the coverage and adequacy are needed to ensure the resilience of households and potential graduation from social protection assistance.
- On some occasions over the past few years, the social protection budget has been revised downward during mid-year budget revisions.** In 2019/20, the social protection budget was cut by 9.4 percent, from FRW 189.5 billion to FRW 171.7 billion. The downward revision is worrisome and thus, there is a need to make further analysis to better understand the drivers of downward budget revision while there is a great financing need for SP interventions.
- VUP programs, emergency and refugee support and nutrition support (child-focused social protection measures) continue to expand.** However, in the finance law of 2020/21, it is not possible to track specific budget lines dealing with the COVID-19 response measures. In order to harmonize the interventions across government institutions and development partners involved in COVID-19 response, there is a need to establish a mechanism to track the resources used to deal with the COVID-19 pandemic.
- The social protection allocations for decentralized entities (Districts and City of Kigali) decreased from FRW 36.9 billion in 2019/20 to FRW 30.9 billion in 2020/21, indicating a budget reduction of 16.3 percent.** There is a need for further analysis to understand the social protection interventions per district linked with the districts' budget for social protection.
- Both domestic and external resources for Social Protection Sector financing have increased recently, with domestic resources increasing two-fold and external resources increasing around five-fold.** However, further horizontal and vertical expansion of social protection schemes is required to meet the NST targets. Therefore, there is a need to develop a sustainable medium-term financing strategy for the Social Protection Sector to support resource mobilization and budget efficiency.

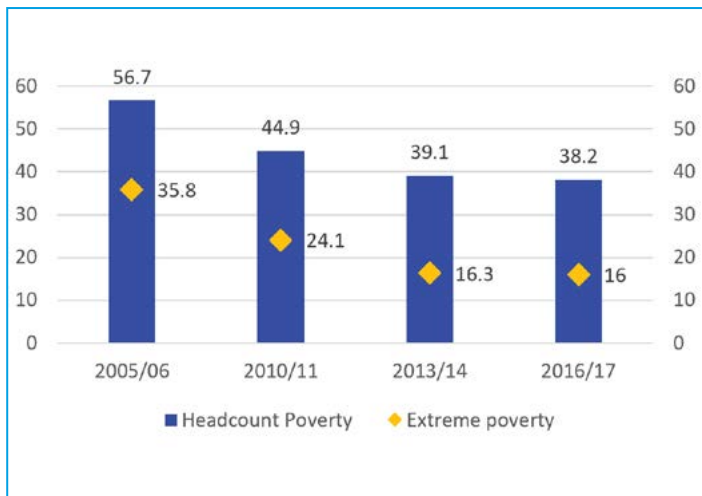


1. Overview of Rwanda's Social Protection Sector

In Rwanda, social protection has been defined in the updated National Social Protection Policy (2018) 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 livelihood risks with a view to achieving sustainable graduation and self-reliance.” Based on that definition, Rwanda's Social Protection Sector is built on four main pillars which include; (i) Social Security, (ii) Short-term Social Assistance, (iii) Social Care Services and (iv) Livelihood and Employment Support. Social protection has recently gained public attention and its role in Rwanda's socio-economic development is significant.

Before the recent outbreak of COVID-19, which has brought about a socio-economic crisis, Rwanda had recorded strong and inclusive economic growth over the past two decades. With reference to the latest available data (2017), both poverty and income inequality (as measured by Gini coefficient) have significantly declined over the past decade. The population living below the poverty line declined from 56.7 percent in 2005/06 to 38.2 percent in 2016/17, while those living in extreme poverty reduced by more than a half from 35.8 percent to 16 percent (**Figure 1**). In addition, the Gini index has reduced from 0.522 in 2005/06 to 0.429 in 2016/17 reflecting 17.8 percent over the past.

Figure 1: Poverty and extreme poverty trends (%)



Source: EICVs report-National Institute of Statistics of Rwanda



The social protection budget allocations to decentralized entities follow different transfer formulas developed by earmarking institutions and outputs to deliver on the activities.

- **Family protection and women empowerment:** An allocation is made in proportion to the number of sectors in the district level,
- **Employment Support:** District allocation has been made in proportion to the number of sectors by considering the estimated number of business plan developed by business advisors,
- **Child protection:** Allocations follow a block amount,
- **Vulnerable groups:** Number of HHs in Ubudehe category 1 assisted through direct support, nutrition-sensitive direct support and through a multi-sectoral activity such as HH profiling and Ubudehe categorization. Other considerations include; population size which accounts for 40 percent, area of the district accounts for 20 percent, and poverty levels at 40 percent based on EICV data.

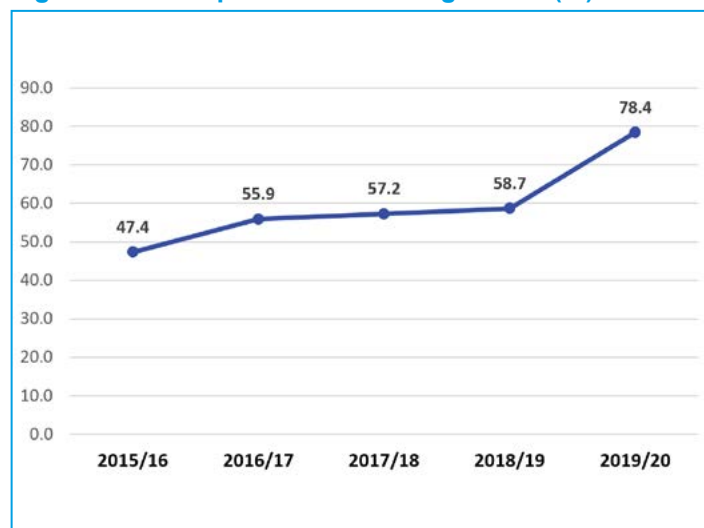


The administrative data from the GoR indicate that the eligible population covered by core social protection schemes (VUP, RDRC, FARG) continues to expand horizontally, from 58.7 percent in 2018/19 to 78.4 percent in 2019/20 (**Figure 2**).

The COVID-19 crisis has demonstrated the importance of a strong social protection system. In response to the human suffering caused by the pandemic, the government developed a Social Protection response plan in April 2020, which defines the key parameters and financing needs to assist households who were socio-economically affected by COVID-19. The plan aims to;

- Extend food distribution as an immediate social protection response mechanism
- Horizontally expand cash transfer programs (VUP Direct Support, public works and nutrition sensitive direct support to the most affected households,) and livelihoods enhancement programs (asset transfers, financial services, skills development, agricultural inputs etc.)

Figure 2: Social protection coverage trend (%)



Source: Social Protection Joint sector review Reports

The estimated financing needs of the Social Protection recovery plan are FRW 133.6 billion, or US\$ 141.7 million, and represent around 1.5 percent of Rwanda's GDP. This budget is supposed to cover households in Ubudehe category 1 who are the primary target to the social protection benefits and, in some instances, those in Ubudehe category 2 and 3 who were hit hard by the effects of COVID-19. The targeting approach of triangulating data from different data

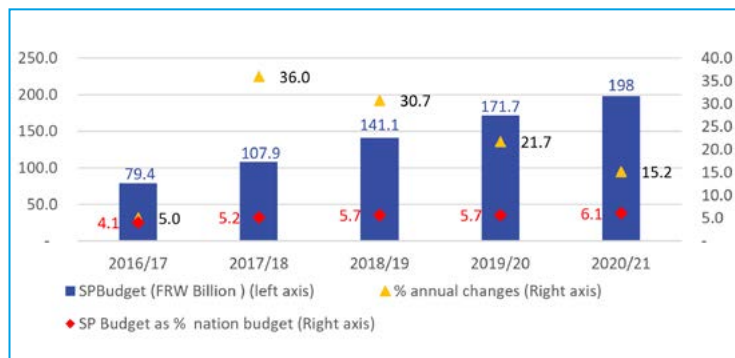
sources (household profiling database, Ubudehe data, enrollment lists in the LODA Monitoring and Evaluation Information System (MEIS) and community consultation) as suggested in the Social Protection response plan, provides an assurance of reaching the most vulnerable, though there will be a need to assess the target mechanism's application and effectiveness to ensure no one is left behind.

2. Trends in Government Spending for the Social Protection Sector

2.1. Size of Government Spending in the Social Protection Sector

The social protection budget depicts an increasing trend over the past five years, from FRW 79.4 billion in 2016/17 to FRW 198 billion in 2020/21ⁱ. As a share of the total national budget, the social protection budget increased from 4.1 percent to 6.1 percent during the same period.

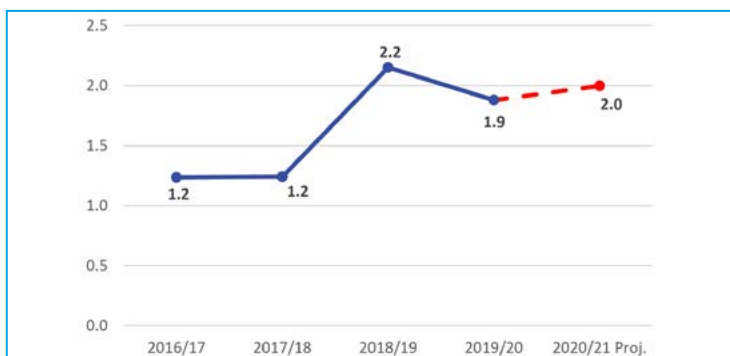
Figure 3: Social protection budget trends



Source: State finance laws

About two percent of GDP is allocated to non-contributoryⁱⁱ social protection interventions, which is consistent with that spent on similar social protection programs in other developing countriesⁱⁱⁱ. The social protection spending ratio to GDP has almost doubled in the past five years, from 1.2 in 2016/17 to 2 percent in 2020/21. However, there were slight fluctuations between 2018/19 and 2020/21.

Figure 4: Proportion (%) of social protection budget to National GDP



Source: State finance laws and Macroeconomic Framework data

The increasing trend in the social protection budget allocations both in real terms and as a share of GDP indicates the government's commitment to strengthen and expand social protection programs to ensure inclusive and pro-poor development.

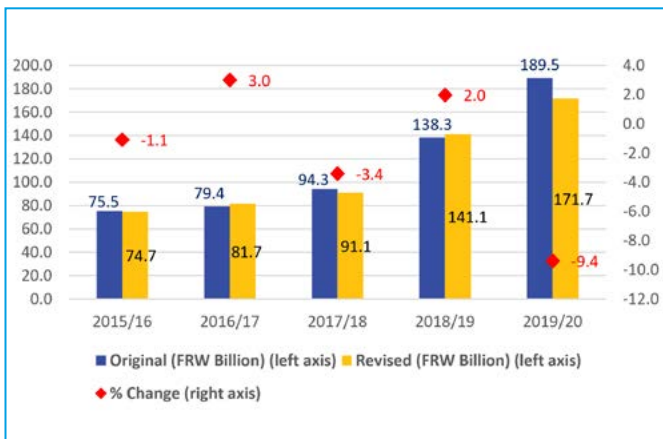




2.2. Changes in Social Protection Sector Budgets

A comparison of the original and revised social protection budgets shows fluctuation. The social protection budget in the previous year, for instance, was revised substantially downward at mid-year, while the overall national budget was revised upward. Specifically, the social protection budget was revised downward by 9.4 percent, from FRW 189.5 billion to FRW 171.7 billion, while in 2018/19 it was revised upward by 2 percent. The downward budget revision could imply budget absorption capacity or budget planning challenges, which should be investigated.

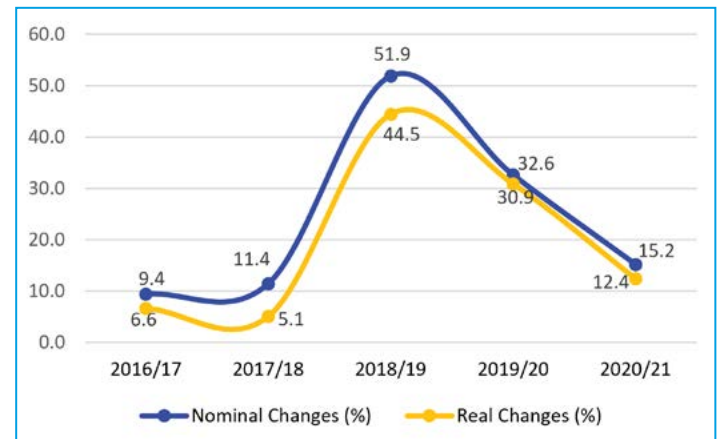
Figure 5: Social protection budget changes: original vs revised law



Source: State finance laws

Rwanda has experienced low levels of inflation over the past few years thus the nominal budget increase under the social protection budget is also reflected in real terms. When looking at the budget based on changing price levels and real (inflation-adjusted), the Social Protection Sector budget was not affected by inflation. While the nominal increase was 15.2 percent in 2020/21, there was a 12.4 percent increase in real terms (Figure 6). This is mainly attributed to Rwanda's low level of inflation over the past two years.

Figure 6: Nominal and real (inflation adjusted) budget changes



Source: UNICEF staff calculation using data from state finance laws

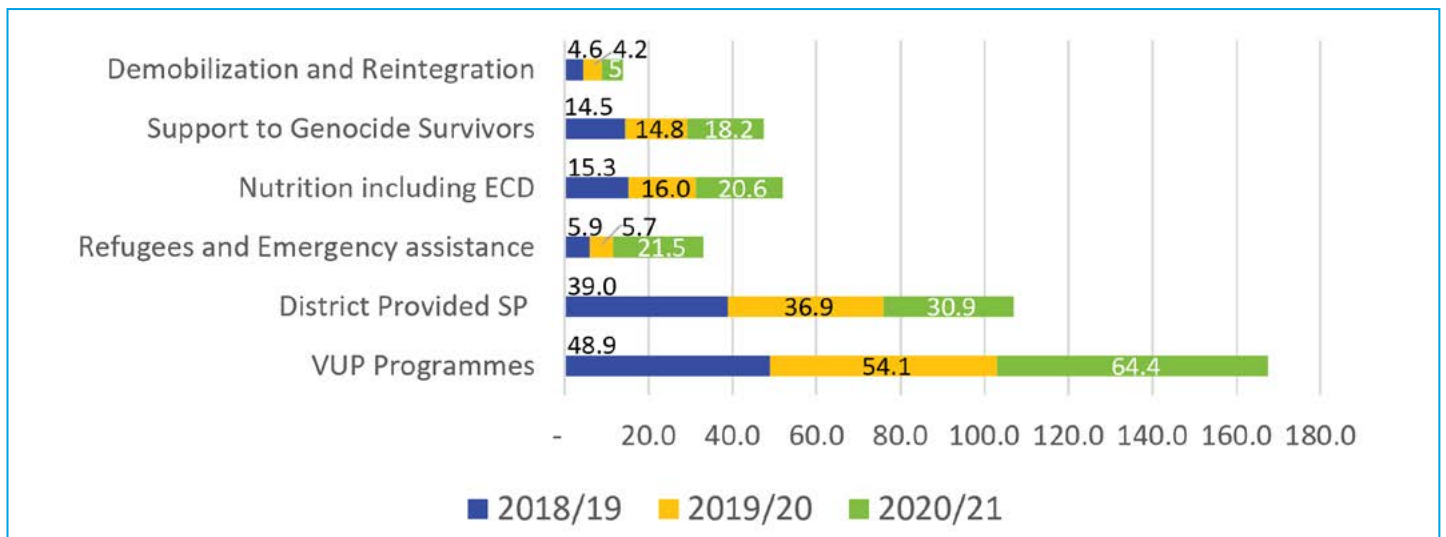
3. Composition of Social Protection Sector Spending

3.1. Budget Allocation in Selected Social Protection Programs

In the current year, VUP programs were allocated a larger share of the social protection budget (FRW 64.4 billion) in 2020/21, followed by social protection interventions implemented at district level. However, there is a tremendous increase in the budget allocated to emergency management.

The budget increase under emergency assistance could be explained by the intervention to support households affected by recent heavy floods and landslides and the increased support to the refugees. However, in the budget law, there is limited information on specific interventions relating to emergency support in the COVID-19 context.

Figure 7: allocation to Social protection programs (FRW billion)



Source: State finance laws



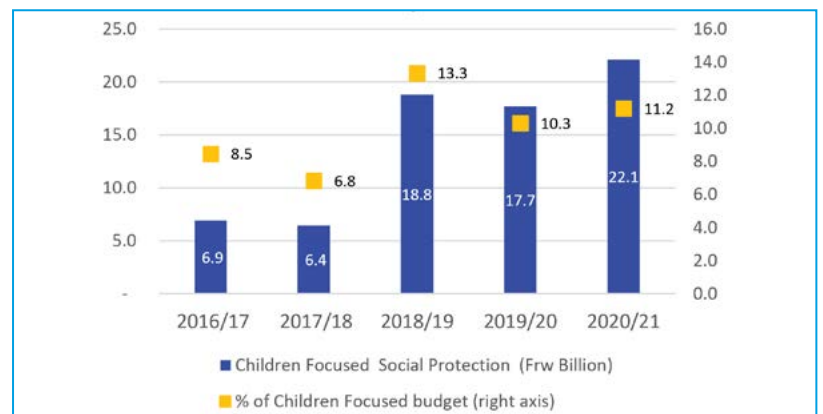


3.2. Complementary Child-focused Social Protection Initiatives

Budget allocations to complementary child-focused social protection initiatives** (Early Childhood Development, Nutrition, Child Rights Protection) have continued to be prioritized and registered an increase from FRW 6.9 billion in 2016/17, to FRW 22.1 billion in 2020/21. As a share of the total social protection budget, the child-focused social protection budget has increased from 8.5 percent to 11.2 percent in 2020/21 (**Figure 8**).

The increase shows a stronger commitment by the Government of Rwanda to ensure the wellbeing of Rwandan children, however, the major focus has been put on nutrition-related programs which consume 7 the largest share (93.0 percent), while other programs such as early child rights protection and early parenting were allocated a relatively lower budget (FRW 1.53 billion).

Figure 8: Budget allocation to child-focused Social Protection interventions



Source: State finance laws

**Child-focused social protection programs include allocations under the National Early Childhood Coordination Programme (NECDP), the Ministry of Health- Nutrition sub-programme, the Ministry of Agriculture (MINAGRI) under nutrition sensitive agriculture programs, and the Ministry of Gender and Family Promotion – allocations under child rights protection and promotion.

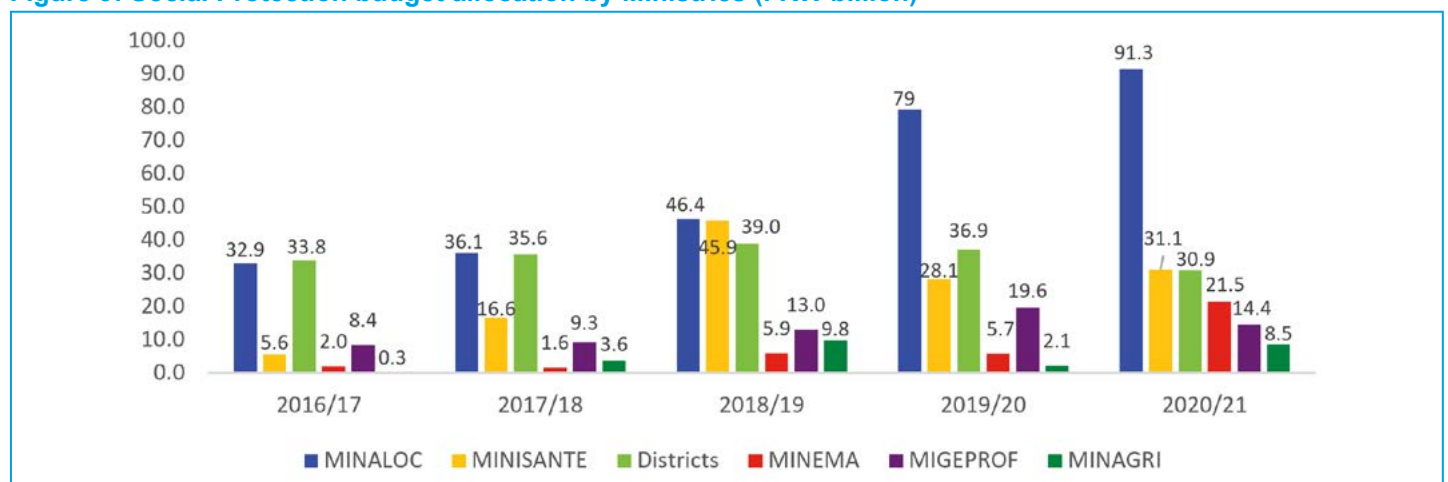
3.3. The Social Protection Budget Allocation by Spending Ministries and Districts

An estimated 46 percent of social protection resources are channeled through the Ministry of Local Government (MINALOC) as the lead ministry on social protection, followed by the Ministry of Health and districts with 16 percent each. The budget for the Ministry emergency management account for 11 percent. MINALOC coordinates several social protection initiatives such as support to Genocide survivors under FARG, support to people with disabilities under the National Council of People with Disabilities, National Rehabilitation Services (NRS) and VUP programs under Local Administrative Entities Development Agency (LODA). The fact, there are several institutions involved in social protection implementation which suggests a need for a strong a Social Protection coordination

framework to increase effectiveness and resource efficiency. **Figure 19** shows the distribution of social protection budget across different agencies.



Figure 9: Social Protection budget allocation by Ministries (FRW billion)

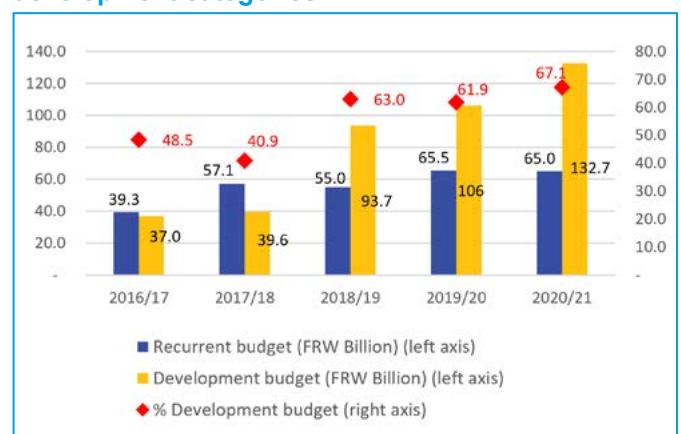


Source: State finance laws

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

Social Protection allocations under the development budget in the finance law have been increasing over the past years, from 48.5 percent in 2016/17 to 67.1 percent in 2020/21. Nominally, the recurrent budget increased from FRW 39.3 billion in 2016/17 to FRW 65 billion in 2020/21, while the development budget increased from FRW 37 billion to FRW 132 billion in the same period (**Figure 10**). This budget increase is explained by an expanding role of VUP-related interventions. However, the external financing component (except for budget support) is mostly recorded under the development budget, and in recent years the Social Protection Sector has attracted external financing from borrowing and grants.

Figure 10: Social protection budget by recurrent vs development categories



Source: State finance laws

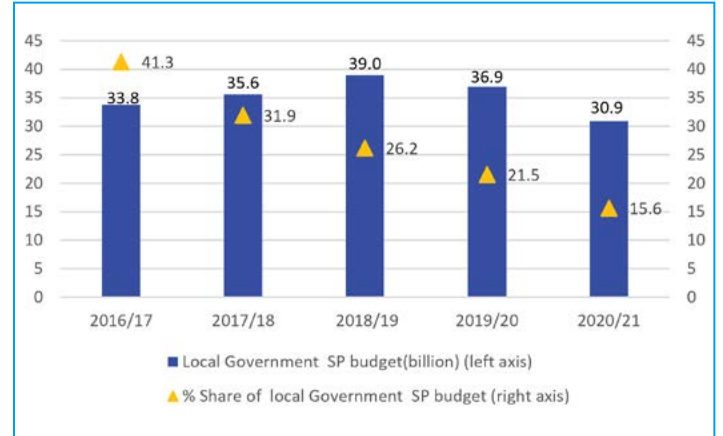
4. Decentralization of Social Protection Sector Spending

Decentralized entities (Districts and the City of Kigali) implement important social protection interventions from earmarked funds. The budget allocations for decentralized entities have been decreasing for the past three years, from FRW 39 billion in 2018/19 to FRW 30.9 billion in 2020/21 (Figure 11).

Further analysis of social protection programs in decentralized entities shows that all programs recorded a budget decrease in 2020/21 when compared to the budget for 2019/20. The budget for support to Genocide survivors recorded a decrease by 23.4 percent. The decrease could be partly explained by the declining number of program beneficiaries and the phasing out of interventions such as education support. The allocation to family protection and women empowerment was reduced by 38.1 percent, the budget for support to vulnerable groups (household in Ubudehe category 1 and 2 Ubudehe without labor capacity) was cut by 6.5 percent, while the allocations for people with disabilities was reduced by 11.9 percent (Figure 12).

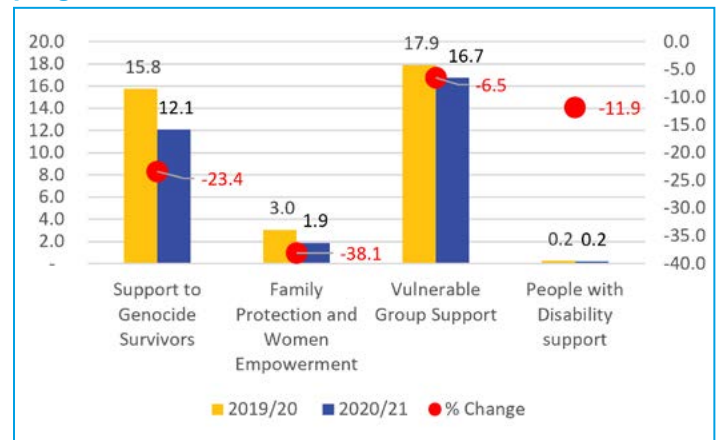
A comparison of the social protection budget allocation per district and poverty levels shows that, besides from Nyamasheke district which has a high poverty rate and receives a large social protection budget allocation, other budget allocations per district do not significantly correlate with the poverty levels. There is a need to carry out an assessment to identify whether the issue is caused by the budget allocation formula between districts, or if it's due to the rapid national geographical coverage of most social protection programs.

Figure 11: Decentralized SP budget (Billion)



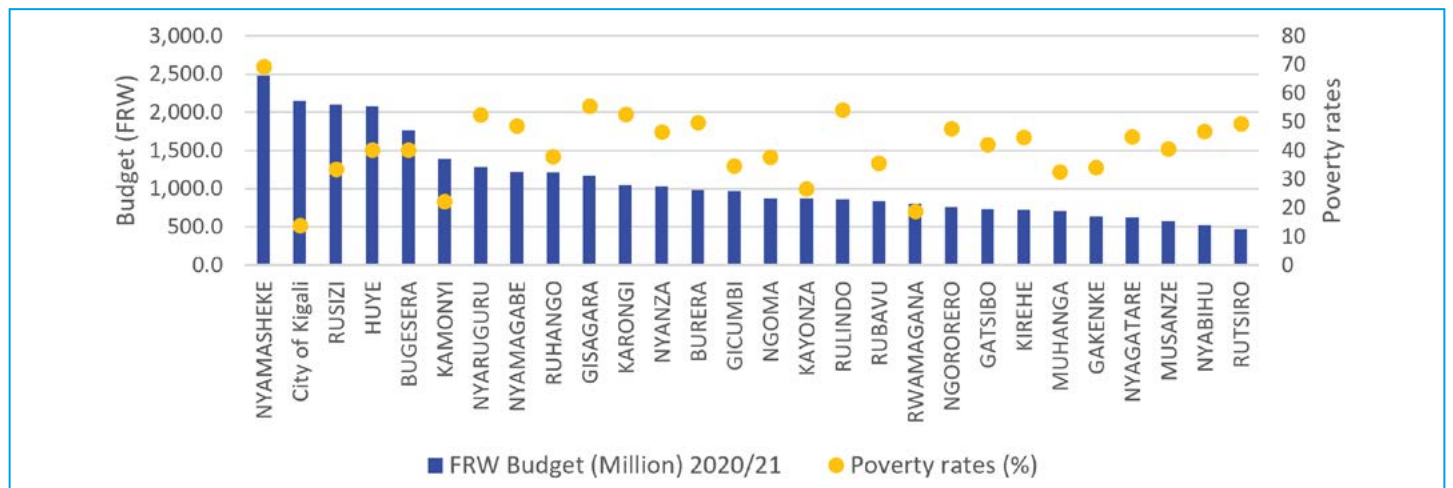
Source: State finance laws

Figure 12: Decentralized budget allocations by SP programs



Source: State finance laws

Figure 13: SP Budget allocations by districts and Poverty levels



Source: State finance laws and NISR-EICV5 (2016/17)

5. The Social Protection Sector Budget Execution

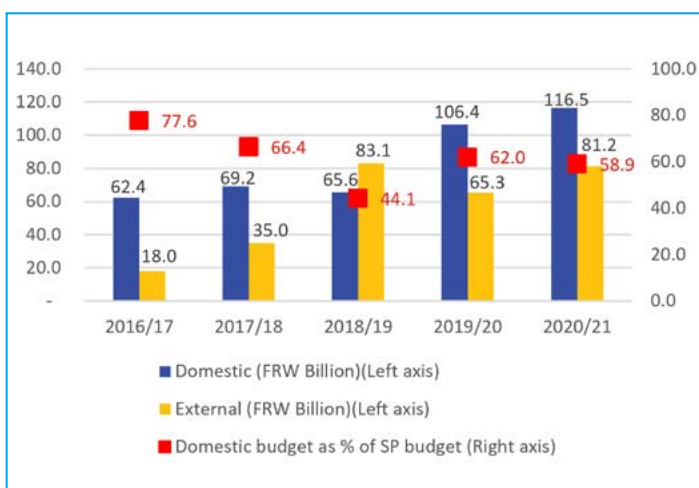
The execution rate of the social protection budget is higher at the district level than the national level. For 2019/20 the social protection budget execution was very high at decentralized levels (101.5 percent), while at national level it was low (69.4 percent) when compared to 2018/20 (Figure 14). The low budget execution at the central level can be partly explained by the slowdown of some public works activities during the lockdown period. Mechanisms to improve budget execution both at central and local levels will need to be strengthened to ensure efficiency in the utilization of public funds.

6. Financing the Social Protection Sector

Both domestic and external resources for the Social Protection sector have increased recently. External resources have significantly increased from just FRW 18 billion in 2016/17, to FRW 81.2 billion in 2020. This reflects almost a five-fold increase, while domestic resources have almost doubled. When compared to 2019/20, domestic resources for social protection increased by 9.5 percent, while the externally mobilized resources increased by 24 percent (Figure 15).

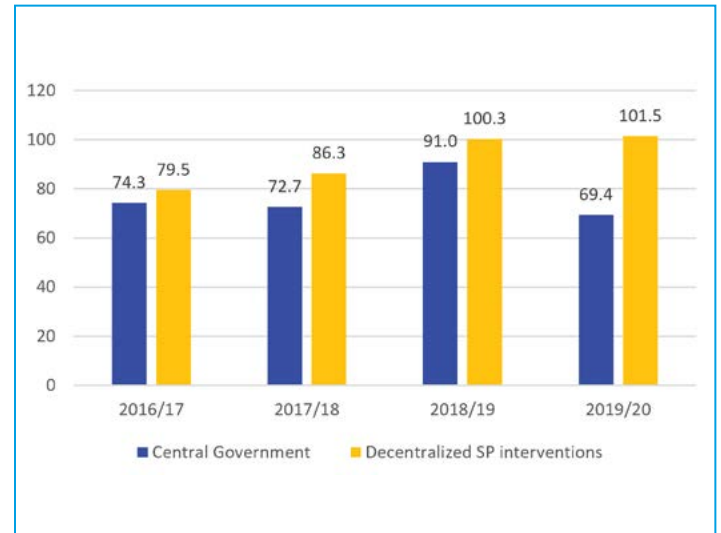
The following are key players in external financing of Rwanda's Social Protection Sector; (i) UK Department for International Development (DFID),

Figure 15: Financing of social protection sector (FRW billion and %)



Source: State finance laws

Figure 14: Budget execution rates: National and decentralized levels (%)



Source: State finance laws

(ii) the World Bank, (iii) the German Development Bank (KfW), (iv) UNICEF, and (v) FAO. In addition, the EU and AfDB are currently providing financial assistance to the social protection recovery plan through budget support. The Government of Rwanda is committed to expanding the social protection coverage and adequacy; however, the Social Protection Sector is facing a fiscal space constraint, and there is a need to develop a medium-term sector financing strategic plan which will guide the country's resource mobilization efforts and budget efficiency improvement.





Endnotes

- i The analysis of government budget allocated to social protection, cover the non-contributory schemes such allocations for (i) VUPs, (ii) social assistance support programs to refugees and returnees and disaster response, (iii) health financing, (ii) Nutrition support and child protection. However, the analysis excludes the budget allocations to complement the contributory scheme of social protection such as Pension and Ejo Heza.
- ii It comprises two major categories: the core programs, 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 programs 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 programs.

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