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for every child

Rwanda

# Social Protection Budget Brief

Investing in Inclusiveness  
2021/2022



## Preface

The Social Protection budget brief explores the extent to which the Government of Rwanda 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 2021/22 and the past years spending. Financial data used in this analysis are drawn from the Law determining the state finances for the 2021/2022 fiscal year and the revised state finance laws for the previous years.

## Key Messages

**Budget allocations for the Social Protection sector have been increasing steadily in recent years to respond to the needs of poor households facing various vulnerabilities and shocks. This includes the scale-up of safety nets and other measures implemented since mid-2020 as part of the national response to the COVID-19 pandemic.** In 2021/22, a budget of FRW 196.6 billion was allocated to the Social Protection sector, down slightly from the FRW 205 billion allocated in 2020/21. Along with other social sectors in Rwanda, the fiscal space for social protection is narrowing as a result of the effects of COVID-19. *With the sharp increase in household vulnerability and poverty due to COVID-19, there is a pressing need to undertake the Mid-Term Review of the Social Protection Sector Strategic Plan and develop a medium-term Social Protection Financing and Resource Mobilization Strategy to provide a more robust framework for fiscally sustainable Social Protection sector financing.*

**In 2020, Rwanda recorded relatively high-level inflation (7.7 per cent), leading to a wider gap between nominal and real social protection budget variations.** In 2021/22 the Social Protection

budget recorded a budget reduction of 4.1 per cent in nominal terms. However, when inflation is considered, the decrease extends to 11.5 per cent. *To curb the effects of inflation on poor households who benefit from social protection programmes, there is a need to index with inflation the social protection budget and review benefits on a periodic basis.*

**Both domestic and external resources for the Social Protection sector have increased recently, especially on the external resources side.** In 2021/22, the budget from external sources amount to FRW 106.9 billion, up from FRW 97.1 billion in 2020/21, representing 54.4 per cent of the total social protection budget. *The government should continue strengthening strategic partnerships with donors for medium-term financial pledges and increase domestic resources allocated to the Social Protection sector to ensure medium and long-term financing sustainability as the country navigates through its socio-economic recovery from COVID-19. More evidence-generation on the impact of social protection programmes is needed to strengthen sector planning, advocacy and resource mobilization.*





# 1. Social Protection Sector

In June 2020, the Government of Rwanda adopted a new Social Protection Policy to guide all interventions aimed at addressing different forms of vulnerabilities including disability, old age, supporting needy genocide survivors, and other vulnerable citizens. It also called for a more ambitious, inclusive, and preventative approach to social protection, providing an environment for protection against a range of risks and transformative for all citizens. The 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 last Living Condition Survey (EICV5), conducted in 2016/17, 38.2 per cent of Rwanda’s population live below the nationally determined poverty line and the population living in extreme poverty is estimated at 16 per cent (Figure 1). However, the COVID-19 pandemic has put a halt on the gains made towards poverty reduction and improvement in households’ wellbeing. In February 2021, the World Bank estimated that COVID-19 may have increased the share of poor people within Rwanda’s population by almost by 5.1 per cent, representing more than 550,000 new poor people.

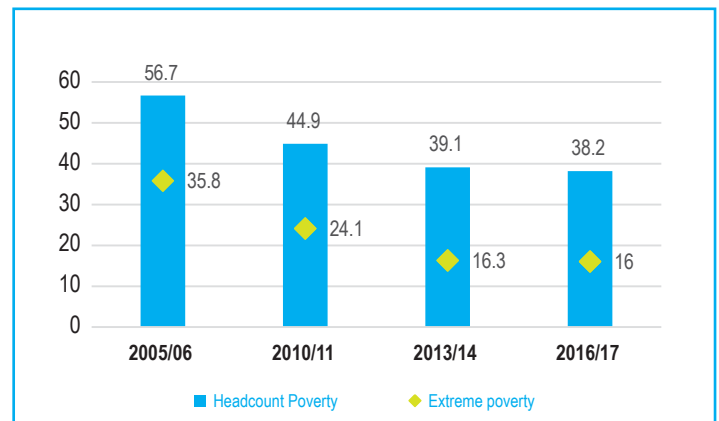
## 1.1. Coverage of Social Protection

The share of the target population covered by core social protection schemes (Vision *Umurenge* Programme (VUP), Rwanda Demobilization and Reintegration Commission (RDRC), Genocide Survivors Assistance Funds (FARG) ARG) has increased in 2020 from 78.4 per cent in 2019/20 to 85.9 per cent in 2020/21. This increase is mainly attributed to the expansion of VUP Public Works across the country to respond to the effects of COVID-19 (Figure 2). In addition to the traditional social protection safety nets listed above, the Government of Rwanda has also extended the Nutrition Sensitive Direct Support (NSDS) scheme to strengthen stunting reduction efforts among pregnant mothers and under two years children in *Ubudehe* categories one and two. In 2020, 124,906 beneficiaries were supported under NSDS and, among them, 88,674 (71 per cent) were children under two years, and 36,232 (29 per cent) were pregnant women from 17 priority districts.

*The coverage is measured by taking into account the estimated population living in extreme poverty in 2020 as calculated using the population projection, extreme poverty rate reported in EICV 5 (2016/17) and the number of beneficiaries of core social protection programmes (VUP, RDRC and FARG).*

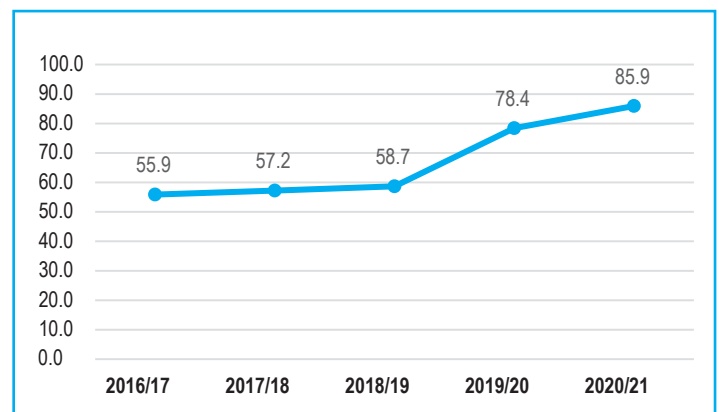
*Social Protection measures have been instrumental during and after the various periods of movement restrictions and lockdown implemented to contain the pandemic, to support poor households in getting subsistence means. In that respect, the Government of Rwanda through the Ministry of Local Government scaled-up several social protection programmes in response to COVID-19. This meant that; (i) the beneficiaries of nutrition sensitive direct support increased by 53,560 from 31,039 in 2019 to 84,599 in 2020, (ii) emergency cash transfers were provided to 35,009 vulnerable households whose business were closed during lockdown periods in Kigali and other areas, and (iii) under the VUP Classic Public Works, the working condition requirement was waived to 158,554 individuals, meaning they were paid their monthly salary during the entire phases of lockdown.*

Figure1: Poverty and extreme poverty trends (%)



Source: EICVs report-National Institute of Statistics of Rwanda

Figure 2: Trends of Social Protection Coverage (%) by eligible population



Source: Social Protection Joint sector review Reports

## 2. Trends in Government Spending for the Social Protection Sector

### 2.1. Size of Government Spending in the Social Protection Sector

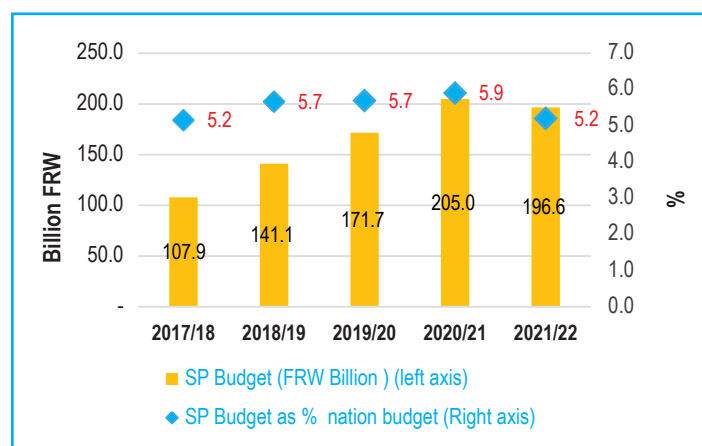
The Government of Rwanda has prioritized the Social Protection budget in recent years to respond to the needs of poor households and others confronted by various vulnerabilities, including throughout the most challenging period of COVID-19 in 2020. In 2021/22, the government allocated FRW 196.6 billion to finance different Social Protection programmes, slightly down from FRW 205.0 billion in 2020/21. The Social Protection sector was allocated 5.2 per cent of the national budget in 2021/22, down from 5.9 per cent in 2020 (Figure 3). The analysis of the past four years shows that the Social Protection sector recorded a nominal increasing budget trend from FRW 107.9 billion in 2017/18 to FRW 196.6 billion in 2021/22. However, the fiscal space for social protection investments is narrowing along with that of other social sectors in Rwanda. Therefore, there is a need to develop a medium-term Social Protection Financing Strategy to provide a robust framework for fiscally sustainable sector financing.

The budget for non-contributory Social Protection interventions hovers around two per cent of GDP which is consistent with that spent on similar social protection programmes in other developing countries. In 2021/22, the budget for social protection programmes accounts for 1.9 per cent of GDP indicating a slight decrease from 2.1 per cent in 2020/21 (Figure 4). However, the current level of budget allocation is at the same level of that within the pre-Covid-19 era (2019/20).

### 2.2. Changes in Social Protection Sector Budgets

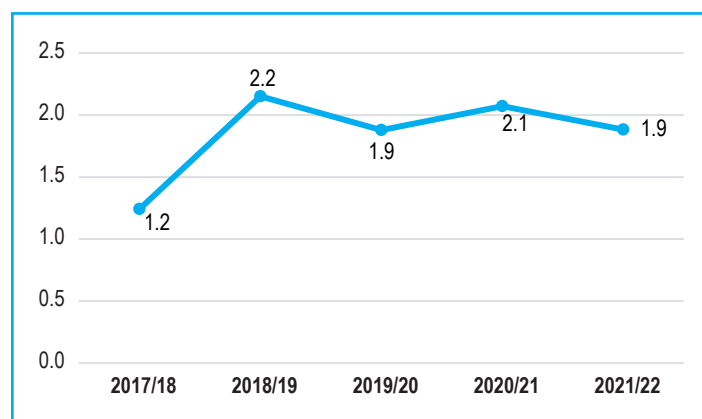
A comparison of the original and revised social protection budget allocations shows a fluctuation characterized by both downward and upward budget revisions. However, in 2020/21, the budget was revised upward by 3.7 per cent. The originally allocated budget was FRW 197.7 billion while the revised budget for social protection amounted to FRW 205.0 billion (Figure 5). However, the social protection budget of 2019/20 was revised substantially downward (by 9.4 per cent) during the mid-year budget revision, while the overall national budget was revised upward. COVID-19 and its associated socio-economic crisis have emphasized the importance of social protection programmes to support vulnerable households during hard times. There is a need to engage in more evidence-generation on the impact of Social Protection interventions and to further strengthen shock-responsive systems to adequately respond to the needs of poor and other vulnerable people during periods of emergency.

Figure 3: Social Protection budget trends



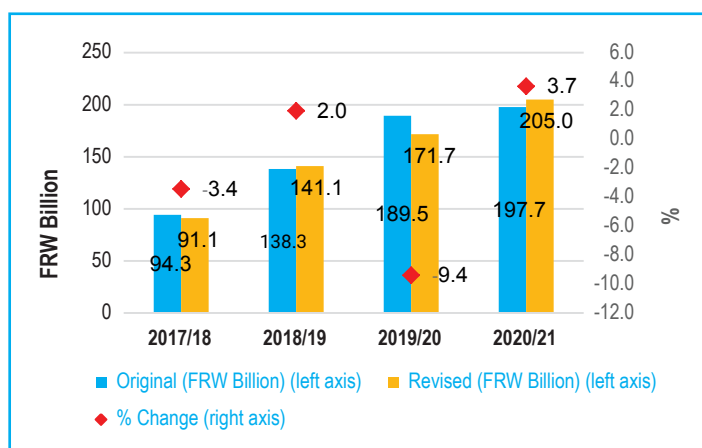
Source: State finance laws

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



Source: State finance laws and Macroeconomic Framework data

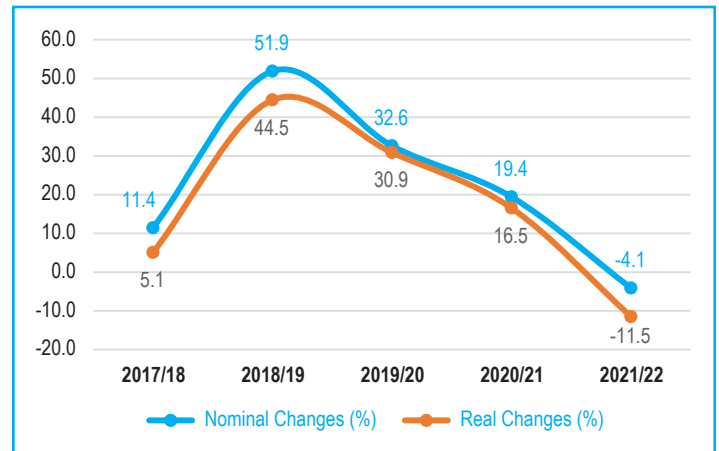
Figure 5: Social protection budget changes: original vs revised budget



Source: State finance laws

In 2020, Rwanda recorded relatively high-level inflation, meaning the gap between nominal and real social protection budget changes widens with a higher inflation rate. In 2021/22, the social protection budget recorded a decrease of 4.1 per cent in nominal terms, but when considering inflation, the budget cut extends to 11.5 per cent (Figure 6). Inflation largely impacts those with low purchasing power. Therefore, to curb the effects of inflation on poor households as the beneficiaries of social protection safety nets, there is a need to index the social protection budget and review benefits with inflation in the medium term.

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



Source: UNICEF staff calculation using data from state finance laws

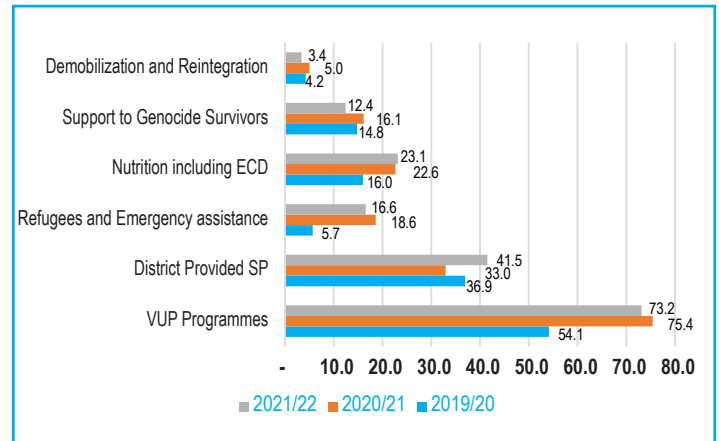


## 3. Composition of Social Protection Sector Spending

### 3.1. Budget Allocation in Selected Social Protection Programmes

**Despite a small budget reduction (3 per cent) in 2021/22, VUP remains the main budget programme for Social Protection in Rwanda.** The VUP programme was allocated FRW 73.4 billion in 2021/22, representing 37.2 per cent of the total social protection budget; social protection interventions implemented at decentralized (Districts) level were allocated FRW 41.5 billion, up from FRW 33.0 billion allocated in 2020/21. The Emergency and Refugee Management programme was allocated FRW 16.6 billion in 2021/22, down from FRW 18.6 billion in 2020/21. The Nutrition budget, including Early Childhood Development interventions, was allocated FRW 23.1 billion in 2021/22, marginally up from FRW 22.6 billion in 2020/21 (**Figure 7**).

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

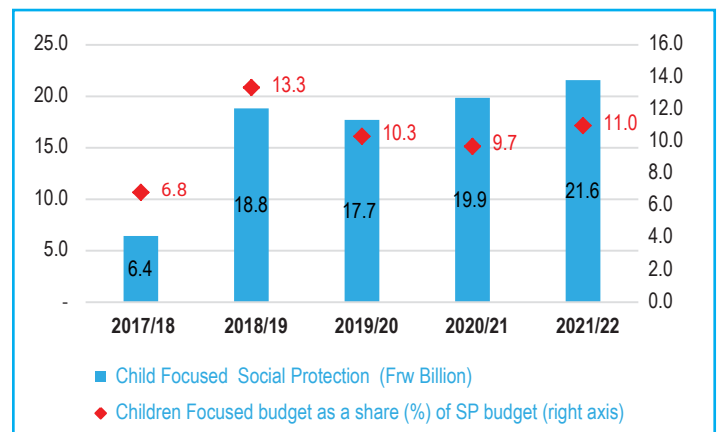


Source: State finance laws

### 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 during budgeting. They registered an increase from FRW 19.9 billion in the 2020/21 revised budget to 21.6 billion in 2021/22. As a share of the total social protection budget, the child-focused social protection budget has also increased from 9.7 per cent in 2020/21 to 11 per cent in 2021/22 (**Figure 8**). The budget increase is a testimony of the strong commitment by the Government of Rwanda to improve the wellbeing of Rwandan children. However, given the impact of COVID-19 on households' welfare, more resources for child-focused social protection services will be needed in the short and medium term to foster inclusive socio-economic recovery.

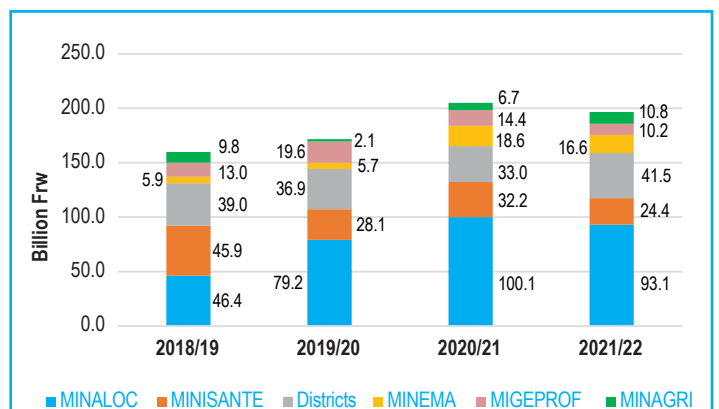
Figure 8: Budget allocation to child-focused Social Protection interventions



Source: State finance laws

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

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



Source: State finance laws



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

The Ministry of Local Government (MINALOC) and its affiliated agencies are the main spending institutions of the Social Protection sector budget.

The GoR allocated FRW 93.1 billion to MINALOC in 2021/22 representing 47.3 per cent of the sector budget. The Ministry of Health was allocated FRW 24.4 billion, the Ministry of Emergency Management (MINEMA) responsible for refugee affairs was allocated FRW 16.6 billion, the Ministry of Gender and Family Promotion (MIGEPROF) and affiliated agencies were allocated FRW 10.2 billion, and the Ministry of Agriculture (MINAGRI) will spend RWF 10.8 billion for social protection in 2021/22, up from FRW 6.7 billion in 2020/21 (Figure 9). The fact that there are several institutions involved in the implementation of social protection programmes emphasizes the need for stronger coordination of social protection at different levels of government, and an integrated social protection monitoring system to increase effectiveness and resource efficiency in service delivery.

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

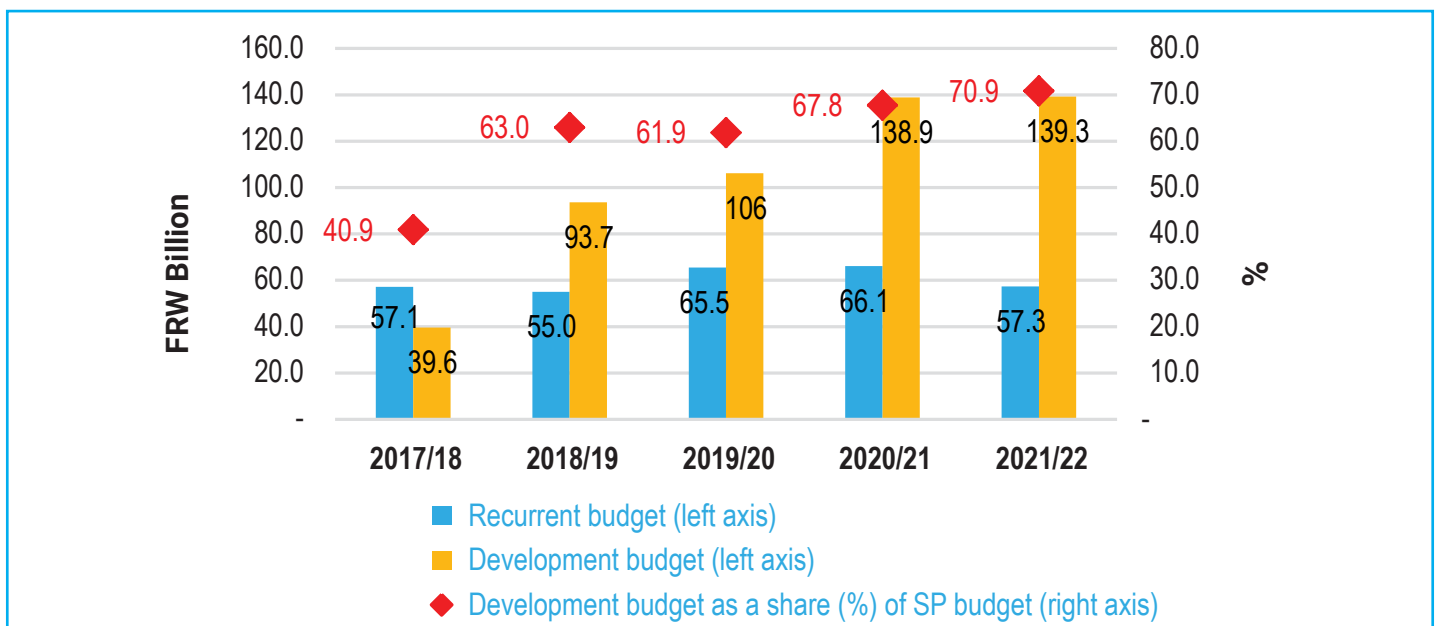
Under the development budget in the finance law, allocations to the Social Protection sector have been increasing over the past years. In 2021/22, the development budget accounts for 70.9 per cent of the total social protection budget, up from 67.8 per cent in 2020/21. It is important to note that external funds (except for budget support) are mostly recorded under the development



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budget. The increase of externally funded programmes for social protection could explain the sharp increase in the development budget. The recurrent budget for Social Protection recorded a decrease from FRW 66.1 billion in 2020/21 to FRW 57.3 billion (Figure 10).

Figure 10: Social protection budget by recurrent vs development categories



Source: State finance laws

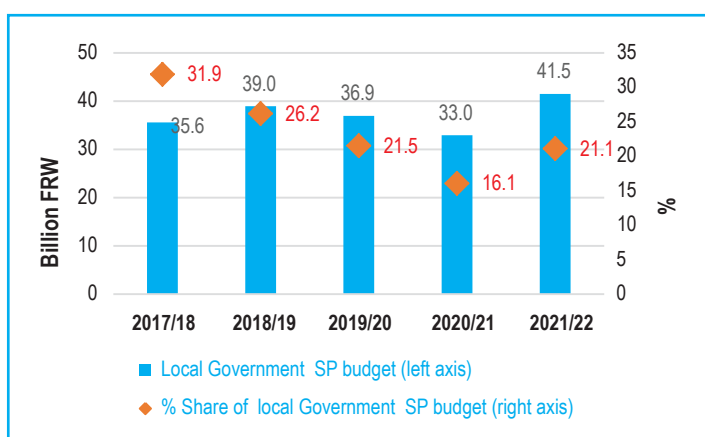


## 4. Decentralization of Social Protection Sector Spending

Decentralized entities (Districts and the City of Kigali) implement important interventions under social protection through earmarked funds. After three years of a declining trend, the budget increased to FRW 41.5 billion from FRW 33.0 billion in 2020/21. This reflects a budget increase of 25.9 per cent. As a share of the total social protection budget, Districts will implement 21.1 per cent of resources in 2021/22, while in 2020/21 the Districts were only allocated 16.1 per cent of the social protection budget (**Figure 11**). Further analysis of social protection programmes in decentralized

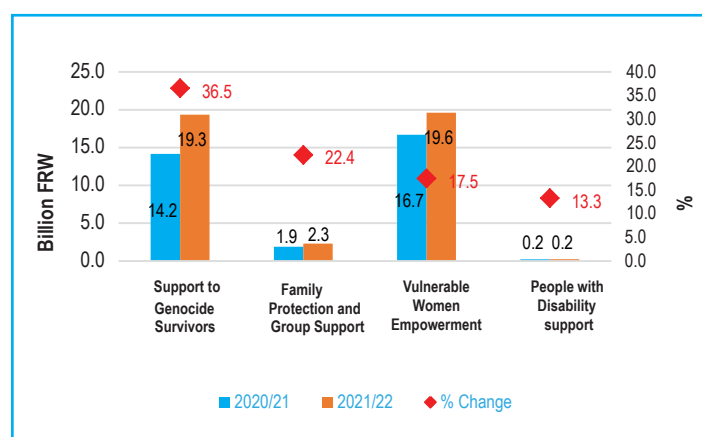
entities shows that all programmes recorded a budget increase in 2021/22 when compared to the budget allocated in 2020/21. The budget allocated to Genocide survivors support increased by 36.5 per cent (from FRW 14.2 billion in 2020/21 to FRW 19.3 billion in 2021/22). The budget for the vulnerable groups programme (household in *Ubudehe* categories 1 and 2 without labor capacity) increased by 17.5 per cent (from FRW 16.7 billion in 2020/21 to FRW 19.6 billion in 2021/22) (**Figure 12**).

Figure 11: Decentralized SP budget (Billion FRW)



Source: State finance laws

Figure 12: Decentralized budget allocations by SP programs



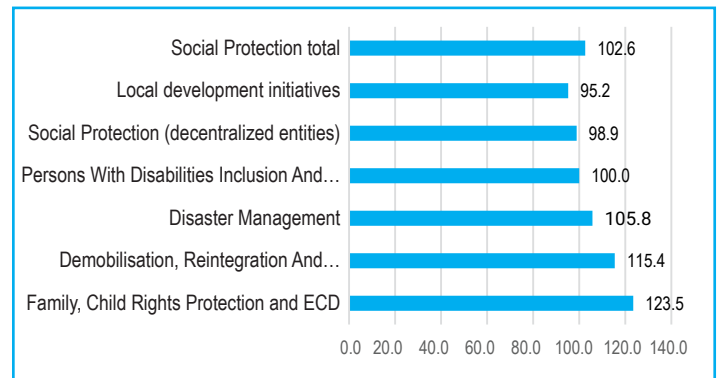
Source: State finance laws



## 5. The Social Protection Sector Budget Execution

There was overspending in the Social Protection sector budget in 2020/21. The budget execution rate stood at 102.6 per cent by the end of June 2021. Family Promotion, Child Rights, and the ECD programme reported overspending of up to 123.5 per cent, followed by the Demobilization, Reintegration, and Reinsertion programme with 111.5 per cent. Disaster management overspent its budget by 105.8 per cent. The social protection budget execution rate at decentralized level was 98.9 per cent, while the local development initiatives recorded the budget execution rate of 95.2 per cent (Figure 13). High budget execution rates and overspending are mainly attributed to COVID-19 spending under social protection to ensure access to safety nets and other measures for vulnerable people during and beyond the periods of lockdown.

Figure 13: Social Protection budget execution rates 2020/21



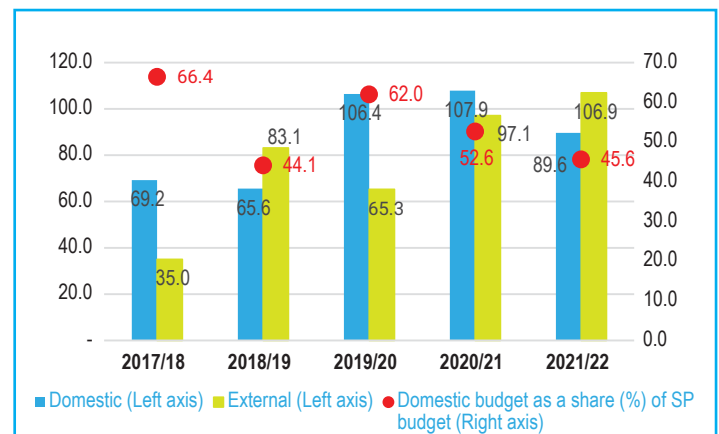
Source: MINECOFIN budget execution reports

## 6. Financing the Social Protection Sector

Both domestic and external resources for the Social Protection sector have increased recently, but more external resources were mobilized and continue to rise. In 2021/22, the budget for social protection from external sources amounts to FRW 106.9 billion, up from FRW 97.1 billion in 2020/21. The share of the domestic budget for social protection declined from 52.6 per cent in 2020/21 to 45.6 per cent in 2021/22. This marks the second year where a decline of the domestic budget is observed (Figure 14). The following are key players who provide external financing for Rwanda's Social Protection sector; (i) the UK Foreign, Commonwealth & Development Office (FCDO), (ii) the World Bank, (iii) the German Development Bank (KfW), (iv) UNICEF, and (v) FAO. In addition, the European Union (EU) delegation and African Development Bank (AfDB) have provided financial assistance to the Social Protection Response Plan through budget support. The recent increase in external finances is an indication of strong interest among the development partners (donors) to support the Social Protection sector. The Government of Rwanda should continue to strengthen strategic partnerships with key donors for medium term financing pledges, and increase the domestic budget allocated to social

protection in order to ensure long-term financing sustainability, as the country continues to implement measures to recover from COVID-19 and its socio-economic effects.

Figure 14: Financing of social protection sector (FRW billion and %)



Source: State finance laws

<sup>i</sup> [https://www.minaloc.gov.rw/fileadmin/user\\_upload/Minaloc/Publications/Policies/Social\\_Protection\\_Policy\\_Adopted\\_1\\_.pdf](https://www.minaloc.gov.rw/fileadmin/user_upload/Minaloc/Publications/Policies/Social_Protection_Policy_Adopted_1_.pdf)

<sup>ii</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/593761612554686869/rwanda-economic-update-protect-and-promote-human-capital-in-a-post-covid-19-world>

<sup>iii</sup> 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.

<sup>iv</sup> 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

<sup>v</sup> 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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