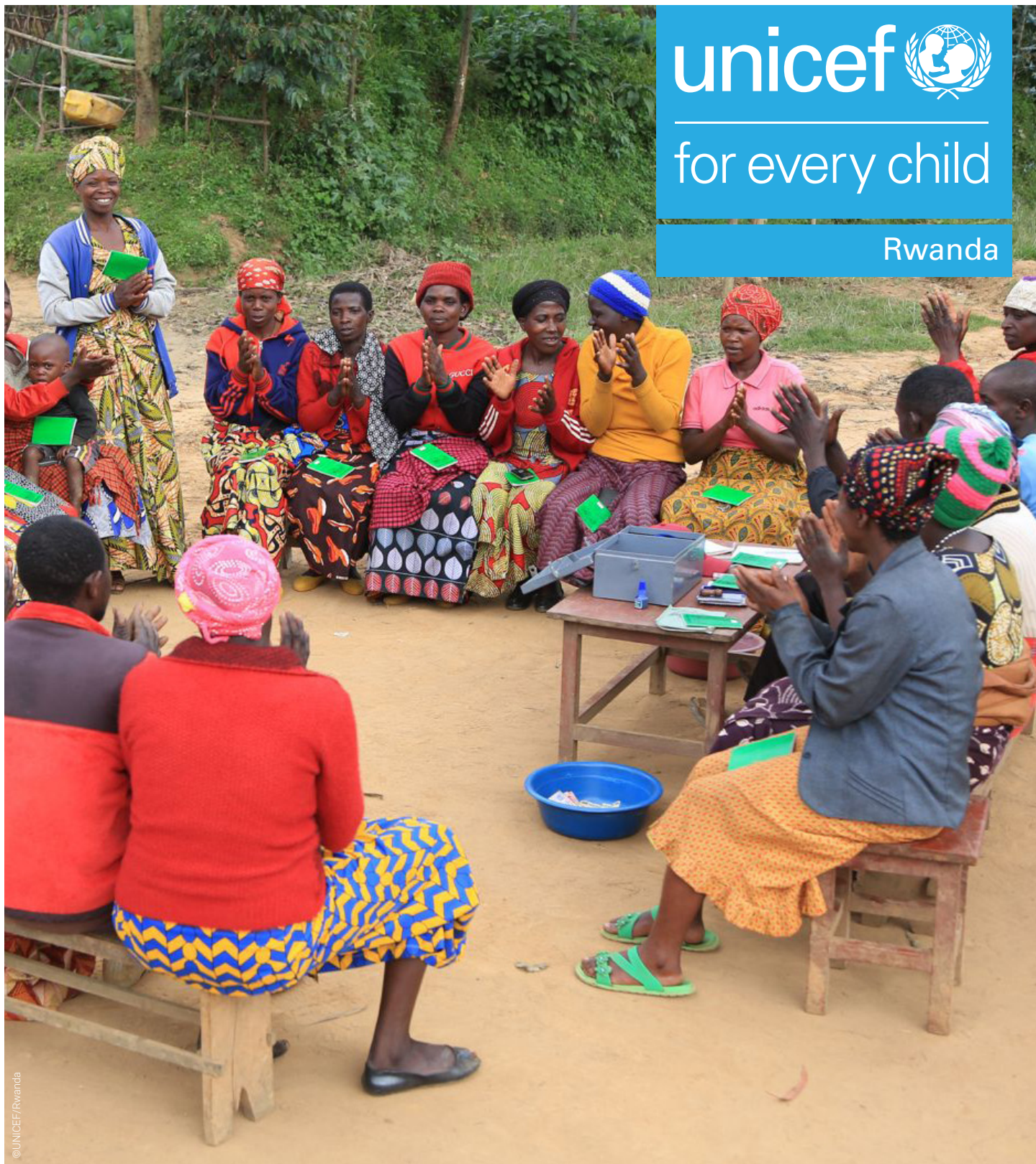


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Social Protection Budget Brief

Investing in Inclusiveness in Rwanda
2023/24

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) 2023/24 and the past years spending. Financial data used in this analysis are drawn from the Law Determining the State Finances for the 2023/24 FY and the revised State Finance Laws for the previous years as relevant.

Key Messages

- To respond to the needs of poor and vulnerable households, the GoR has allocated a total of FRW 241.8 billion to the Social Protection sector in 2023/24 compared to FRW 241.5 billion allocated in the 2022/23 revised budget. However, the budget allocation for the Vision Umurenge Programme (VUP) shows a budget reduction of nearly 26 per cent.
 - There is a need to increase budget allocations for social protection, specifically the VUP budget, given its critical importance in ensuring households meet their basic needs are resilient to shocks, and to accelerate the poverty graduation agenda through horizontal and vertical coverage of the social protection programmes.
 - The presence of several institutions involved in the implementation of social protection programmes emphasizes the need for increased investment to establish strong coordination and integrated monitoring mechanisms at different levels of government (central and decentralized) to enhance the effectiveness and resource efficiency of social protection service delivery.
- **The Government of Rwanda recently increased budget allocation for the coordination of child development activities, mainly through Early Childhood Development (ECD) and stunting reduction.** In 2023/24 the budget for ECD coordination and stunting reduction amounts to FRW 12.8 billion, representing 74.0 per cent of the total NCDA's budget and FRW 1.8 billion for the Child Rights Protection and Promotion programme. The budget for the Child Rights Protection and Promotion programme is heavily dependent on donor financing. There is a need to increase domestic allocations for this programme to increase the number of professional social welfare officers at decentralized levels and ensure the operationalization of the integrated child protection case management system.
- **Both domestic and external social protection budgets remained relatively constant in nominal terms. In 2023/24, the domestic budget amounts to FRW 110.9 billion while the external budget amounts to FRW 131.0 billion.** To implement the recently approved social protection reforms

related to categorical grants, and livelihood support for poverty graduation and resilience to socio-economic shocks, there is a need to develop a comprehensive and integrated costing and financing strategy for the various social protection programmes in Rwanda to guide the medium-term implementation in phased approach and prioritization during budget allocations.



1. An Overview of the Social Protection Sector and Policy Framework

The right to social protection is clearly established within the Constitution of the Republic of Rwanda (2023) as well as a range of international conventions. The social protection sector in Rwanda is coordinated by the Ministry of Local Government (MINALOC) with support from various ministries and agencies notably, the Local Administration Development Agency (LODA), National Child Development Agency (NCDA), Ministry of Agriculture and Animal Resources (MINAGRI), Rwanda Agriculture Board (RAB), Ministry of Education (MINEDUC), Rwanda Basic Education Board (REB), Rwanda Demobilization and Reintegration Commission (RDRC) and Districts. Like in other national social protection systems, Rwanda's social protection system is mainly characterized by contributory and non-contributory schemes.

1.1. Policy Framework

The flagship social protection programme in Rwanda is the VUP. The revised VUP document highlights that its main outcome is to “eradicate poverty, malnutrition and promote socio-economic transformation by accelerating graduation from poverty and strengthening household resilience”, to be achieved through three main intermediate outcomes, namely: (i) increased social inclusion and positive mindsets, (ii) increased consumption of basic needs and essential services, and (iii) increased livelihood diversification.

In June 2020, the GoR adopted the Social Protection Policy¹ to guide all interventions addressing different forms of vulnerability, including disability, old age, and socio-economic shocks. The policy also calls 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.)”

The Social Protection Strategic Plan (2018-2024) is the driving tool to achieving national, regional and international commitment in the social protection sector, and is built on four pillars: social security, social care services, short-term social assistance, and livelihood and employment support. The country has made additional steps in 2022 towards a life-cycle approach. This includes the revision of the VUP programme document to accommodate the introduction of categorical grants and shock-responsive social protection interventions to provide all citizens with a minimum level of income security in their lives and protect them from a broad range of socio-economic risks. This is complemented by the National Strategy for Sustainable Graduation, also adopted in 2022 to reinforce linkages between safety nets, livelihood support interventions and access to other basic complementary services.

Despite the tremendous developments in the social protection sector since the elaboration of the first Social Protection Sector Strategic Plan in 2011, a few challenges have persisted. These include low social protection coverage for the needs of extremely poor and vulnerable households, irrespective of the significant scale-up of the VUP interventions both in scope and scale.



¹ https://www.minaloc.gov.rw/fileadmin/user_upload/Minaloc/Publications/Policies/Social_Protection_Policy_Adopted_1_1_pd

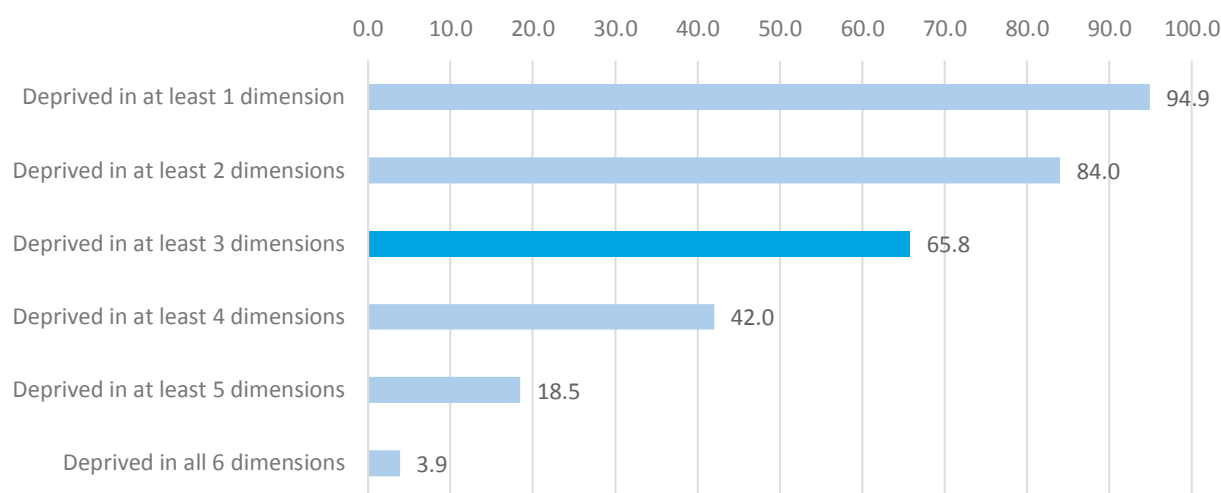
1.2. Multidimensional Poverty and Child Poverty

According to the Multiple Overlapping Deprivations Analysis (MODA)² conducted by the National Institute of Statistics of Rwanda (NISR) in 2021, 65.8 per cent of Rwandan children under the age of five face at least three deprivations, with a

great divide observed between rural (70.4 per cent) compared to urban (43.4 per cent) children.

Figure 1. Multidimensional Deprivation Headcount ratio (H) (%) at National Level for each Threshold, 0-4 years

Source: NISR-UNICEF, MODA report 2021



Among children aged between 0-23 months, the highest deprivation levels are found in the housing and nutrition dimensions, with rates of 71.9 per cent and 64.8 per cent respectively. Among children aged between 24-59 months, the greatest number of deprivations are observed in the housing (69.8 per cent), sanitation (57.2 per cent) and health (53 per cent) dimensions.

Through a non-monetary poverty analysis, the fifth General Population and Census Report (2022) shows that 6.7 per cent of the total resident population in Rwanda is severely poor, and 23.7 per cent are moderately poor. Cumulatively, 30.4 per cent of Rwandan population is multidimensionally poor. When compared to 2012 data, census data show that there has been a thin decline in non-monetary poverty over the last ten years, whereby the headcount multidimensional poverty fell by 6.9 percentage points from 37.3 per cent.

The non-monetary or multidimensional approach of poverty measurement uses a human-rights-based approach to investigate the realization of well-being on selected dimensions. The analysis of non-monetary poverty focuses on three fundamental dimensions of human well-being: Education, Health and Living standards, and each dimension can be subdivided into sub-dimensions. Analysis of all dimensions is equally weighted to produce a poverty index when combined. For a household to be considered poor, it must be deprived of at least one-third of the weighted indicators. A household is then considered severely poor if it has a deprivation score of a half or more of dimensions.

²MODA 2021 used data from the sixth Demographic and Health Survey (2019/2020) and covered under 5 children.

2. Trends in Government Spending for the Social Protection Sector

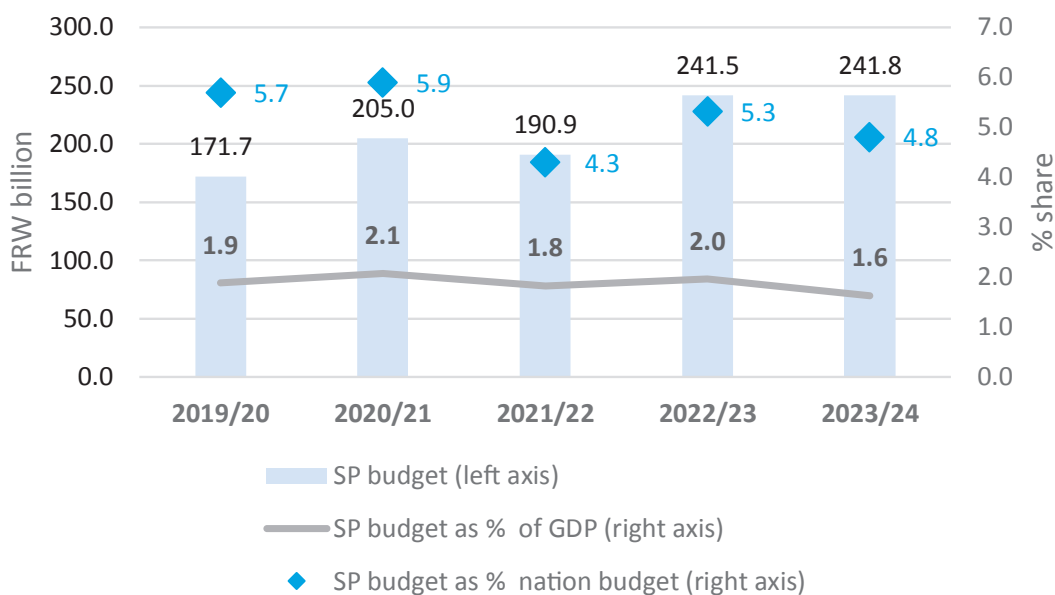
2.1. The Size of Government Budget in the Social Protection Sector

The GoR has allocated a total of FRW 241.8 billion to the social protection sector in 2023/24 to respond to the needs of poor and vulnerable households compared to FRW 241.5 billion allocated in the 2022/23 revised budget. The budget for the social protection sector as a share of the total national budget slightly reduced to 4.8 per cent in 2023/24, down from 5.3 per cent in the previous year. Allocations to various social protection interventions continue to hover around 2.0 per cent

as a share of GDP (Figure 2). To measure the adequacy of current budget allocations for social protection programmes, there is a need to conduct comprehensive sector costing building on recent reforms introduced in the social protection sector including the adoption of categorical grants, shock responsive social protection and the delivery of sustainable graduation interventions.

Figure 2: Social Protection Sector Budget Trends

Source: State Finance Laws



According to the Ministry of Finance and Economic Planning (MINECOFIN), the priority programmes under social protection for FY 2023/24 are as follows: (i) Enhance social protection programmes aiming at eradicating extreme poverty, which includes expanding the VUP programme and nutrition-sensitive support and supporting vulnerable households with productive assets and skills development; (ii) Implement the national strategy for sustainable graduation; (iii) Operationalizing the National Social Registry; (iv) Address human security and delinquency issues; (v) Ensuring welfare of vulnerable disabled ex-combatants and reintegration of returning ex-armed groups and their dependents.

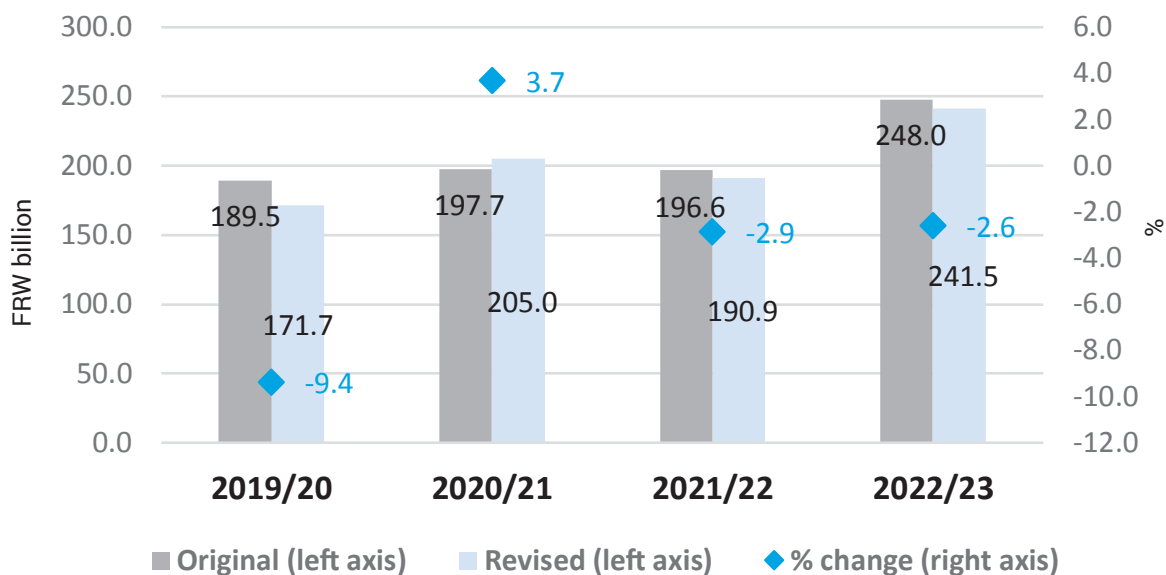
2.2. Changes in Social Protection Sector Budgets

A comparison of the original and revised social protection budget shows that, for the past two years, there have been downward mid-year budget revisions. In 2022/23, the budget was reduced by 2.6 per cent from FRW 248 billion initial allocations to FRW 241.5 billion revised budget. In 2021/22, the sector budget recorded a 2.9 per cent reduction (Figure 3). Further analysis shows that the major social protection

programmes which have faced a budget decline are: (i) the nutrition-sensitive agriculture and resilience mechanism which reduced by 25.7 per cent, (ii) nutrition development under the Ministry of Health (MoH) by 18.4 per cent, and (iii) the Emergency and Refugees Management programme by 13.1 per cent.

Figure 3: Social Protection Budget Changes (Original vs. Revised Budget)

Source: State Finance Laws



Since 2022, there has been an elevated inflation globally, and in particular Rwanda where average headline inflation stood at 13.9% in 2022, up from 0.8% recorded in 2021. This was reflected in all key components of inflation, including core, food and non-alcoholic beverages and energy. The main drivers of inflation are the increase in international commodity prices (food and energy) and the lower domestic agricultural harvest. Core inflation (excluding fresh products and energy) also increased by 15.4% in December 2022 when compared to the same period in 2021.

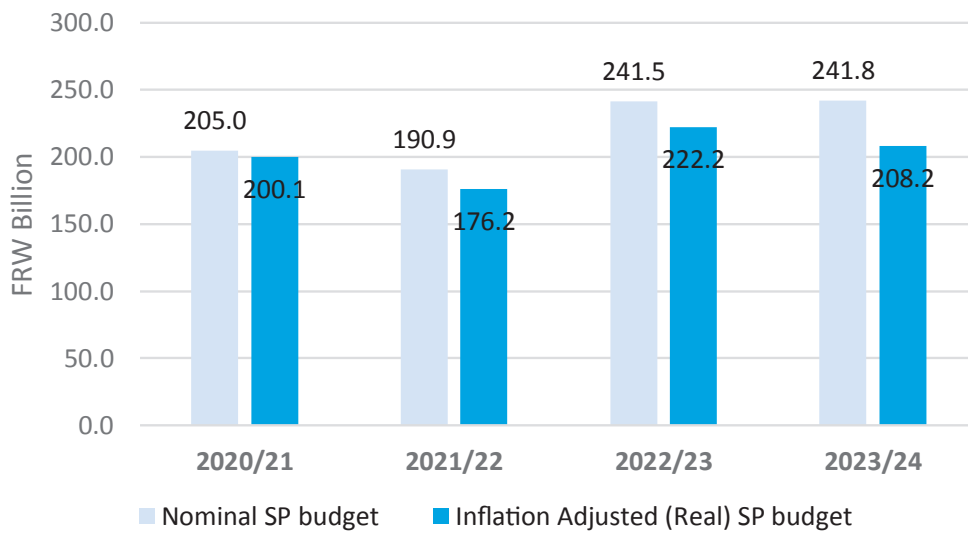
High inflation negatively affects budget allocations for social protection and reduces the purchasing power of the beneficiaries of various social safety net benefits.

Figure 4 shows that in nominal terms, the budget for the social protection sector has been increasing over the past four years from FRW 205 billion in 2020/21, to around FRW242 billion in 2023/24, however, in real terms, its budget remained relatively constant. To cushion the effects of inflation on poor and other

vulnerable people including children and young people, there is a need to continually index social protection benefits with inflation and protect budget allocations of the social protection from downward budget revision.

Figure 4: Social Protection Budget Changes (Original vs. Revised Budget)

Source: Calculated using State Finance Laws and Inflation Data



3. Composition of Social Protection Sector Spending

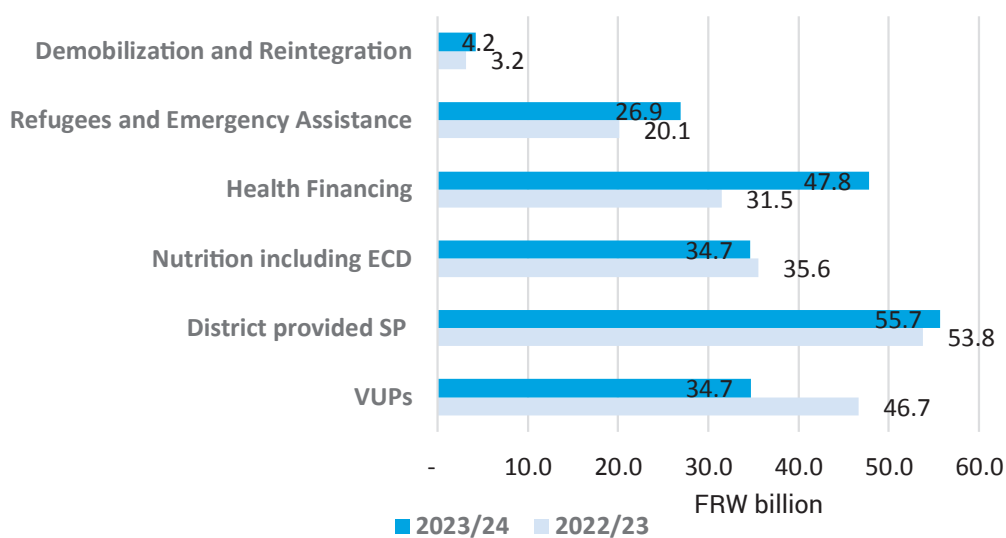
3.1. Budget Allocations in Selected Social Protection Programmes

Across several social protection programmes, there are fluctuating trends in budget allocations between 2022/23 and 2023/24. For programmes implemented at the district level, the total budget allocations have slightly increased from FRW 53.8 billion in 2022/23 to FRW 55.7 billion in 2023/24. The budget of the health financing programme, which includes government subsidies to poor households in community-

based health insurance, has increased from FRW 31.5 billion in 2022/23 to FRW 47.8 billion in 2023/24. However, the budget allocation for VUP programmes reduced from FRW 46.7 billion in the 2022/23 revised budget to FRW 34.7 billion in 2023/24, reflecting a reduction of nearly 26 per cent (**Figure 5**).

Figure 5: Allocation to Social Protection Key Programmes (FRW billion)

Source: State Finance Laws



Given the critical importance of the VUP components in ensuring that households can meet their basic needs and be resilient to shocks, the need for continued expansion (horizontal and vertical) of safety nets, there is a need to increase budget allocation for VUP and other livelihood support social protection initiatives. Furthermore, the presence of several institutions involved in the implementation of social

protection programmes emphasizes the need to invest in establishing strong coordination and integrated monitoring mechanisms at different levels of government to enhance the effectiveness and resource efficiency in social protection service delivery.

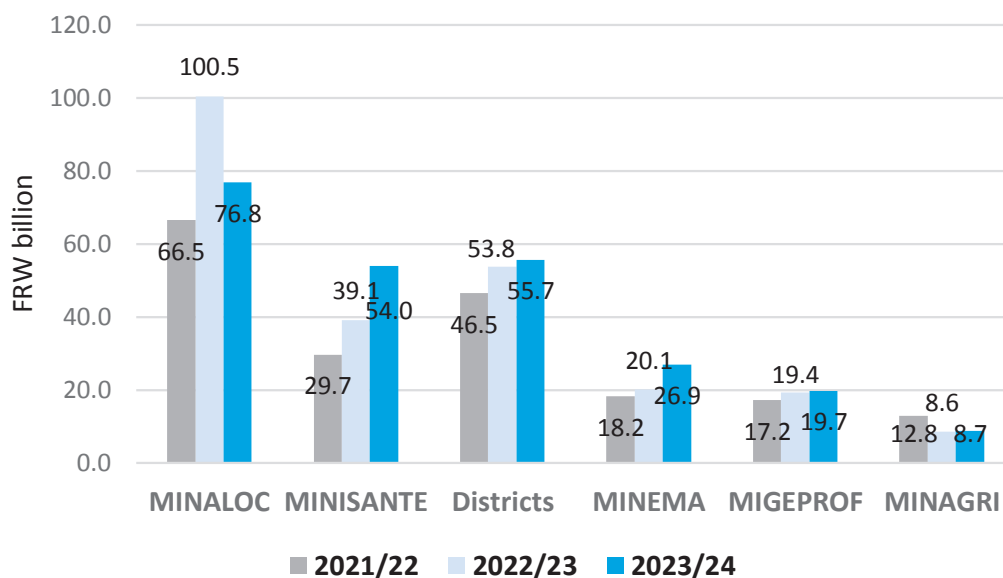
3.2. Social Protection Budget Allocations by Spending Ministries and Districts

The Ministry of Local Government (MINALOC) and affiliated agencies are the main spending institutions of the social protection sector budget. However, the budget allocated to MINALOC and affiliated agencies for social protection programmes reduced from FRW 100.5 billion in 2022/23 to FRW 76.8 billion in 2023/24. This fiscal year 2023/24, the Ministry of Health was allocated FRW 54.0 billion, the Ministry

of Emergency Management (MINEMA) was allocated nearly FRW 27 billion, the Ministry of Gender and Family Promotion (MIGEPROF) was allocated nearly FRW 20 billion, and the Ministry of Agriculture (MINAGRI) plans to spend around RWF 9.0 billion on social protection related programmes in 2023/24 (Figure 6).

Figure 6: Social Protection Budget by Spending Institutions (FRW billion)

Source: State Finance Laws



4. National Child Development Agency (NCDA)

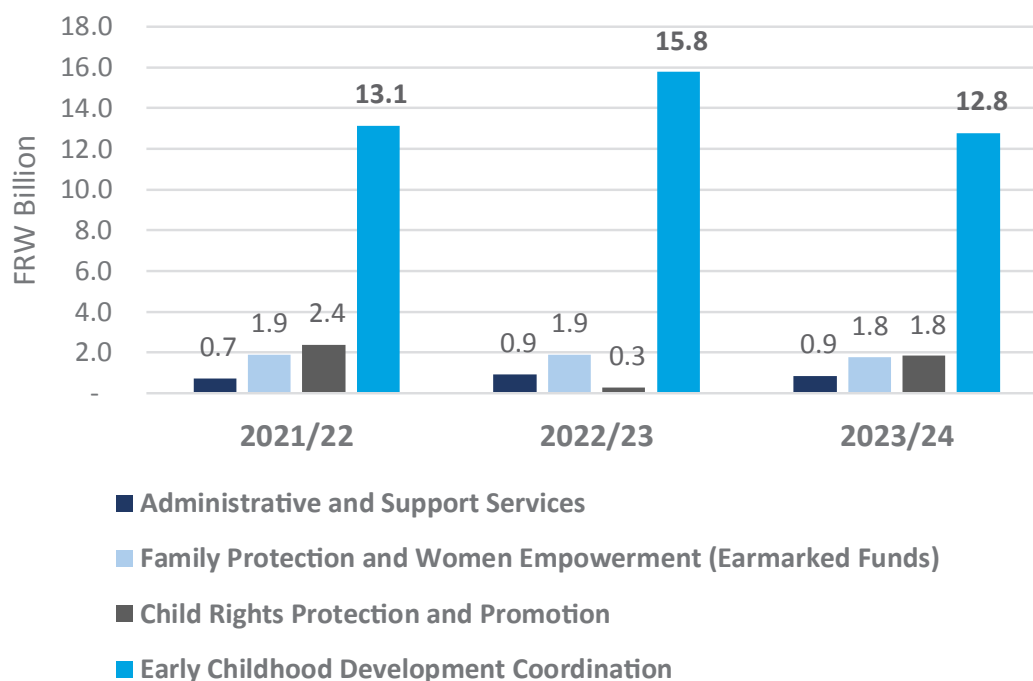
The NCDA is mandated to coordinate child development interventions in Rwanda. Its budget is structured according to the following programmes: (i) Administrative and Support Services which cater for salaries and other operational costs, (ii) Child Rights Protection and Promotion, and (iii) Early Childhood Development which is broken down into the Nutrition and Hygiene Coordination sub-programme and the Early Learning, Parent Education and Child Protection Coordination sub-programme.

The budget allocations of NCDA are mainly dominated by the Early Childhood development programme. In 2023/24, the budget for Early Childhood Development coordination amounts to FRW 12.8 billion, compared to the FRW 15.8 billion

allocated in 2022/23. The second priority programme is the Family Protection and Women Empowerment programme, which is earmarked at district level. In 2023/24, a total of FRW 1.8 billion was earmarked at the district level to cater primarily for improving the quality and access to early childhood development services at the community level and ensuring the successful reintegration of children from orphanages into families. Lastly, the Child Protection and Promotion programme was allocated FRW 1.8 billion in this fiscal year (Figure 7).

Figure 7: NCDA Budget Allocations by Programmes (FRW billion)

Source: State Finance Laws



Further analysis of the financing sources of the NCDA shows that the majority of the budget both central and local level combined is domestically financed (around 90 per cent). However, the Child Rights Protection and Promotion programme at central government level is heavily dependent on donor financing from the Global Fund and UNICEF. The external financing share of this programme accounts for

92.6 per cent of its total budget. There is a need to increase domestic allocations for this programme, especially through the deployment of professional social welfare officers at decentralized level and through the operationalisation of the integrated child protection case management system.

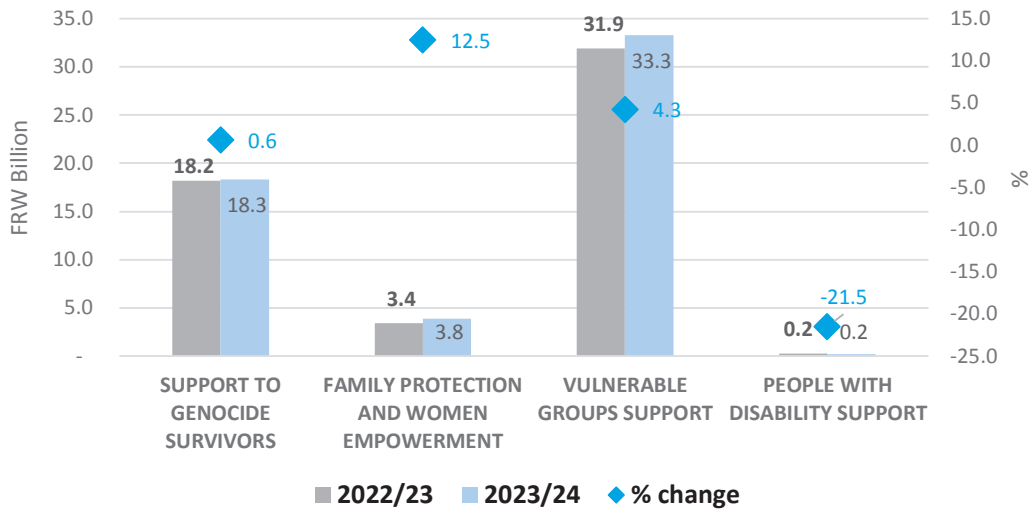
5. Decentralization of Social Protection Sector Spending

Decentralized entities (Districts and the City of Kigali) implement key social protection interventions through earmarked funds. The allocations for social protection at the local government level continue to depict a modest increase. In 2023/24, across four main sub-programmes under social protection, the Vulnerable Group Support was allocated FRW 33.3 billion compared to FRW 32 billion allocated in 2022/23. The budget for the Family Protection and Women

Empowerment sub-programme was allocated around FRW 4 billion compared to the FRW 3.4 billion allocated in the previous year. The budget for the support to the Genocide survivors sub-programme has remained around FRW 18 billion and people with disability support remained constant, as they were allocated FRW 18 billion and FRW 200 million respectively (Figure 8).

Figure 8: Decentralized Budget Allocations by SP Programmes

Source: State Finance Laws



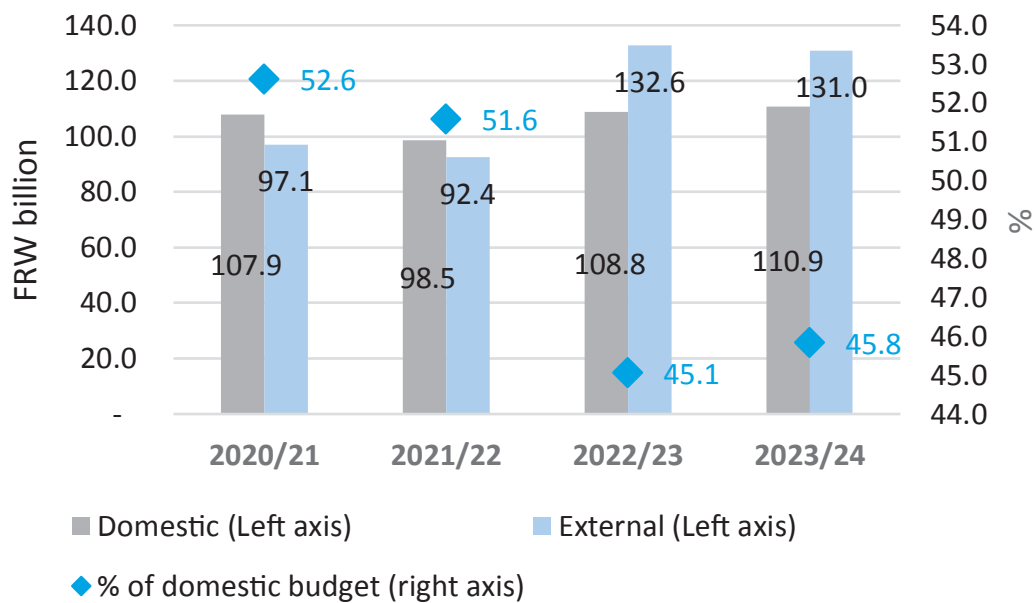
6. Financing the Social Protection Sector

Both domestic and external resources for the social protection sector remained relatively constant in nominal terms. In 2023/24, the domestic budget amounts to FRW 110.9 billion

while the external budget amounts to FRW 131.0 billion. Domestic financing as a share of total Social Protection budget remains around 45 per cent (Figure 9).

Figure 9: Financing of Social Protection Sector (FRW billion and %)

Source: State Finance Laws



As Rwanda continues to expand the coverage of existing social safety nets and embarks on the roll-out of new social protection programmes including the categorical grants and graduation interventions, there is a need to develop a medium-term Social Protection Financing and Resource Mobilization Strategy 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 prioritize the delivery of an integrated package to accelerate graduation and enhance households' resilience to shocks.

The following are 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), Sida, EKN.



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