

Government of Rwanda

Vision 2020 Umurenge

An Integrated Local Development Program
to Accelerate Poverty Eradication,
Rural Growth, and Social Protection

EDPRS Flagship Program Document

August 2007

“It is about a commitment to help create conditions which can lead to a significant empowerment of those who at present have little control over the forces that condition their lives.”

EXECUTIVE SUMMARY

"Vision 2020 Umurenge" is a new initiative by the Government of Rwanda (GoR) in collaboration with development partners and NGOs. It is led by the Ministry of Local Government, Good Governance, Community Development and Social Affairs (MINALOC) and supported by the Ministry of Finance and Economic Planning (MINECOFIN).

The Vision 2020 Umurenge Program (VUP) uses the existing decentralization system and leverages technical and financial assistance to accelerate the rate of poverty reduction in Rwanda. The aim is to eradicate extreme poverty by 2020.

The initiative builds on past experiences which show that "isolated" interventions by sector ministries, donors or NGOs are not sufficient to lift people out of extreme poverty in a cost-effective and sustainable fashion. The other extreme recourse to "integrated" development has also shown its limits in many circumstances. One of the main limitations of both isolated and integrated approaches has been the failure to address two of the most important insights of economics: (i) "resources are scarce" and (ii) "people respond to incentives."

Because resources are scarce compared to people's needs, choices must be made. When choices are made for people (e.g. centralized planning), there are risks of not satisfying these needs or distorting local incentives; this generally leads to wastes of resources. When choices are made by people (e.g. participatory mechanisms), these risks are alleviated but the incentives may not be compatible with the stated aim of eradicating extreme poverty.

In order to capture these insights, the VUP balances central guidelines for socio-economic transformation (i.e. economic growth, job creation and extreme poverty eradication) with local participatory mechanisms. This intends to make the best possible use of scarce resources while, at the same time, ensuring adequate local incentives for sustainable progress.

The VUP is organized around three components. The first component revives public works but planned using community-based participatory approaches (e.g. Ubudehe) to build community assets and create off-farm employment infrastructure. Examples include projects like watershed management, terracing, water harvesting, irrigation, feeder/access roads construction, building of classrooms, health facilities, training centers, business workshops, village settlements, etc. The second component innovates with credit packages to tackle extreme poverty as well as to foster entrepreneurship and off-farm employment opportunities; these packages are designed to make the best possible use of scarce public resources, involve the private financial sector, and provide people with incentives to improve their own productive capacities. Examples include credits to diversify/specialize farming/livestock activities, develop off-farm skills, purchase/build household/business assets, etc. The third component

includes direct supports to improve access to social services or to provide for landless households with no members qualifying for public works or credit packages; such unconditional supports seek to expand health and education coverage as well as to encourage the development of "appropriate" skills, handicraft, or social service activities.

Targeting people's productive capacities will have at least three additional benefits. First, it will allow creating off-farm employment opportunities, thereby facilitating the eventual transition to a modern knowledge-based society according to Rwanda Vision 2020. Second, it will allow accelerating the process of monetization and formalization of the economy, thereby ensuring long-term sustainability. Third, it will allow redirecting social protection to the neediest people who are landless and unable to work, thereby rationalizing and improving the effectiveness of social protection programs, along the social protection strategy.

The VUP features as a flagship program under the Economic Development and Poverty Reduction Strategy (EDPRS) covering the budget years 2008 to 2012. As such, the VUP seek to instigate changes in the efficiency of poverty reduction. This will require managing change in three related areas. First, assist local governments to coordinate the implementation of national sector ministries' strategies. Second, instill the notion of interconnectedness of services across sector ministries. Third, change attitudes through pro-active interventions of all sector ministries to accelerate the rate of poverty reduction in Rwanda.

Consistent with the assessment for achieving the Millennium Development Goals (MDGs) and the objectives of Rwanda Vision 2020, the VUP requires investments of \$72 per capita and per year. Starting with 30 Imirenge (out of 416 in the country), it initially targets a population of about 600,000 people (= $30/416 \times 9$ million population). Thus, the VUP requires \$44 million or RwF 24 billion for the first year. It is expected that 50% will be required for public works (i.e. salaries and material), 30% for credit packages, and 20% for direct supports. The appeal of such program components is that 90% of the money goes directly in the pockets of the poor. In addition, the money going to credit packages is revolving; indeed, it is expected that at least 80% of that money can be re-used for further loans by microfinance institutions.

The program components are fully scalable upon successful completion of the pilot within about 18 months by the end of 2008. Success will be defined specifically in relation to both key achievements in the start-up pilot phase and the capacity of local governments to carry out the program components in a decentralized fashion. A conditional and gradual scaling up to other Imirenge within 3-5 years could be possible.

The focus, externalities and change management required by VUP can be summarized as followed.

Exhibit 1: Summary of VUP

Program components (“focus”)	Additional benefits (“externalities”)	Areas where changes need to be instigated in a systematic fashion (“change management”)
Public works	Creation of off-farm employment opportunities	Assist local governments to coordinate the implementation of national sector ministries’ strategies
Credit packages	Monetization & formalization of the economy	Instill the notion of interconnectedness of services across sector ministries
Direct supports	Effectiveness of social protection	Change attitudes through pro-active interventions of all sector ministries to accelerate the rate of poverty reduction in Rwanda.

This document provides information pertaining to the (i) program objectives and principles; (ii) motivation and rationale; (iii) general program description; (iv) program components; (v) elements to instigate change; (vi) institutional and implementation arrangements; (vii) financing and scalable budget; (viii) risks of program and mitigation strategies; and (ix) the way forward.

PROGRAM OBJECTIVES & PRINCIPLES

Although the VUP is requires complex mechanisms to ensure efficiency in both coordination across sector ministries and implementation at local levels, the aim can be achieved by focusing on key objectives and guiding principles.

KEY OBJECTIVES

The VUP aims to eradicate extreme poverty by 2020. This aim will eventually be achieved through acceleration in poverty reduction along the following key objectives:

1. Releasing the productive capacities of people and offering solutions adapted to their needs;
2. Improving community livelihood assets (e.g. eco-systems rehabilitation) and ensuring their sustainable usage;
3. Increasing the targeting of social protection to the most vulnerable.

Therefore, the VUP seeks to increase the "*efficiency in poverty reduction*" by ensuring that economic growth rapidly translates into poverty reduction. This efficiency is measured by the elasticity of poverty reduction with respect to real per capita consumption growth. Improving such efficiency will require improvements in the "*efficiency of service delivery*", an important component of the Decentralization Implementation Program (DIP). It follows that the DIP should support the VUP.

Pursuing these key objectives will not only contribute to poverty reduction but also lead to other benefits (i.e. "externalities"). A positive externality is the effect of actions by one set of parties that benefit *others* who were not directly involved in the initial actions. More specifically, there are three main forces in VUP. First, releasing the productive capacities of people and improving community assets will result in the creation of off-farm opportunities because land scarcity will inevitably induce people to seek alternative sources of income; off-farm activities will benefit *others* with improved employment opportunities. Second, money from salaries, credits, and direct supports will go directly in the pocket of the people and, therefore, foster the monetization (and eventual formalization) of the economy; money will be used to buy more goods and services or increase savings and market mechanisms will benefit *others*, including suppliers of goods and services, suppliers/users of financial services, or more generally the development of the private sector. Finally, better targeting of social protection will not only break the dependency syndrome but also improve the effectiveness of social protection for the benefit of all *others* in an inclusive society.

GUIDING PRINCIPLES

- Principle # 1:** **Subsidiarity** – Flagship program, sub-programs and policies are formulated at the central level; accounting, management and coordination are performed at Umurenge level; projects and activities are implemented at the Umudugudu level.
- Principle # 2:** **Bottom-up Participatory Approach** – Preferences, needs and grievances are identified at the Umudugudu level and solutions are found and delivered at the lowest possible level, working upward from the bottom.
- Principle # 3:** **Ownership & Accountability** – Take advantage of existing participatory systems, control mechanisms, budget programs, socio-cultural norms that are known to be working; foster their integration to increase inter-connectedness and, where necessary, redesign their roles to strengthen the transparency to population through Umudugudu councils.
- Principle # 4:** **Purposeful Monitoring and Evaluation (M&E)** – Link data collection to a purpose so stakeholders at all levels can take quick corrective actions; distinguish M&E of local outputs and outcomes for management purposes from M&E of the program for possible scaling-up; the latter requires the use of quasi-controlled experimentation.
- Principle # 5:** **Financial and Fiscal Accountability** – Fiduciary management requires stringent financial accountability to MINECOFIN (i.e. Public Finance Management) based on District Planning and Budgeting Guidelines and fiscal accountability (i.e. value-for-money) to specific/selected sector ministries and donors.
- Principle # 6:** **Flexible/Adaptable** – VUP will not be exclusive; it will be flexible and adaptable to existing and other initiatives and programs; it will complement rather than compete with other viable delivery mechanisms.

MOTIVATION AND RATIONALE

Evidence from a number of surveys conducted in Rwanda over the past few years give strong indication on the scale and depth of poverty.

The Household Living Conditions Survey (EICV) indicates that the poverty rate was still 57% in 2005/06 with a poverty line at RwF 250 per adult and per day (or RwF 90,000 per adult and per year); this represent less than ½ dollar a day at current exchange rate. Worse still, the extreme poverty rate stood at 37% in 2005/06; this indicates that more than 1 Rwandan in 3 cannot afford the minimum food basket of 2,500 kcal per adult per day, priced at RwF 175 per adult per day (or RwF 63,000 per adult and per year). The average income of the poor is RwF 150 per adult per day and most poor, who live in subsistence, do not even have such money in cash.¹ As anecdotal evidence, surveyors found that many poor people could not afford the RwF 10 user fee for water, one of the most basic necessities in life, and had no other choice but walking several kilometers to fetch soiled water and eventually contaminate their family.

Income poverty is not the only indicator available. The Comprehensive Food Security and Vulnerability Analysis (CFSVA) indicate that 52% of households in Rwanda are either food insecure or vulnerable. Food insecurity rate is 28% and means "very weak-to-weak food access and poor-to-borderline food consumption." Vulnerability in this survey is estimated at 24% and means "weak-to-medium food access and poor-to-borderline consumption."

Identifying food insecurity on a map of the country, it is striking, albeit not surprising, to find a very high correlation between poverty, food insecurity and population density. With more than 350 people per square kilometer, Rwanda is the most densely populated country in Africa. The Demographic and Health Survey (DHS) shows that total fertility (i.e. number of children per women) rose from 5.8 in 2000 to 6.1 in 2005. Given the improvement in health and sanitation, the reduction of child mortality rate (from 10.7% of live birth in 2000 to 8.6% in 2005), the reduction in under-five mortality rate (from 19.8% of live births in 2000 to 15.2% in 2005), the reduction in maternal mortality rate while giving birth (from 1.07% of births in 2000 to 0.75% in 2005), and the increase in life expectancy (from 49 years old in 2000 to 51 in 2005), demographic pressures are enormous.

Almost half (43%) of the Rwandan population in under the age of 15 and 45% of children under the age of 5 suffer from chronic malnutrition, 19% suffer from its most severe form. Worse still, 55% of children aged 12-23 month are stunted, thereby hampering their future body growth. Indeed, once stunting has occurred,

¹ The measure of income poverty makes an estimation of subsistence crop valued at current prices to assess the income level of the poor living in subsistence farming.

improved nutritional intake later in life cannot reverse the damages. Stunting therefore undermines the future prospects of entire generation of children and reduces their chances of building a better life for themselves and their family.

BACKGROUND

Rwanda Vision 2020 is a vision statement for the country's development. It presents the key priorities and pillars to serve as a guiding tool for the future of the nation. It supports a clear Rwandan identity, whilst showing ambition and imagination in overcoming poverty and division. The Government of Rwanda (GoR), together with its partners, donors, civil society organizations and the private sector, are all committed to make significant headways towards the objectives contained in the national vision.

An Umurenge (Imirenge in plural form) is an administrative entity below the District/Akarere level. The estimated 9 million Rwandan people live in 30 Districts and 416 Imirenge, an average of about 14 Imirenge per District. An Umurenge covers close to 22,000 people on average. The next administrative level is a Cell/Akagari followed by a village/Umudugudu at grassroots level; there are 5 Cells and 36 Imidugudu in each Umurenge on average.

Exhibit 2: Rwandan decentralized structure

Rwanda

(≈9 million people)

30 Districts

(≈300,000 people each)

416 Sectors

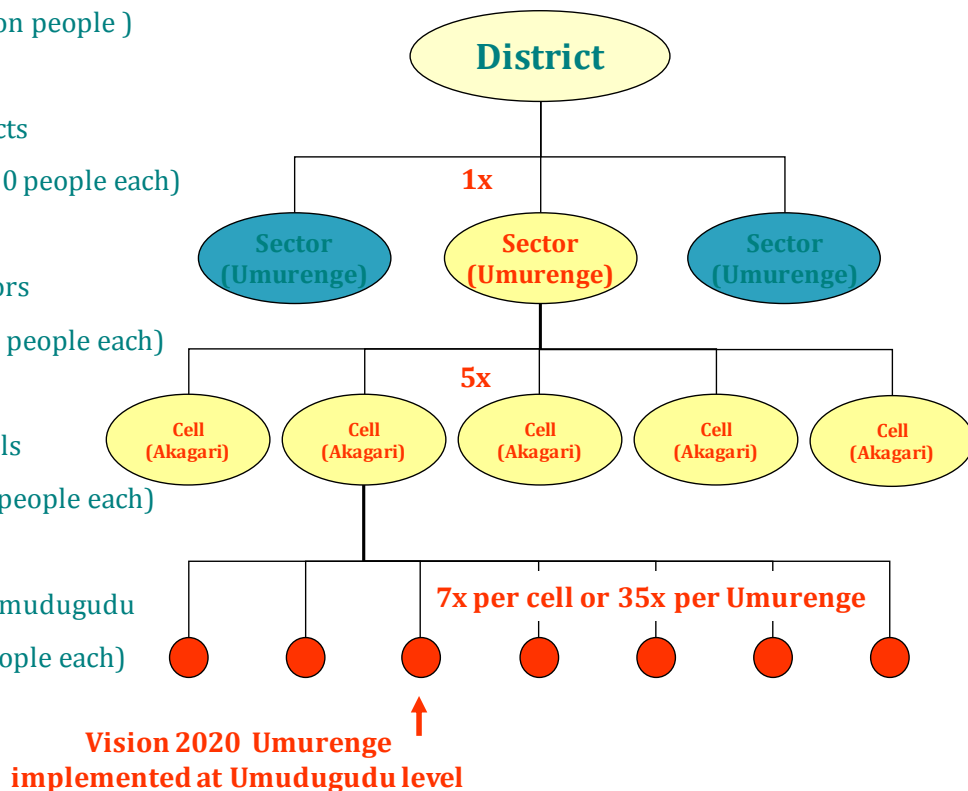
(≈21,600 people each)

2,150 Cells

(≈ 4,200 people each)

14,975 Umudugudu

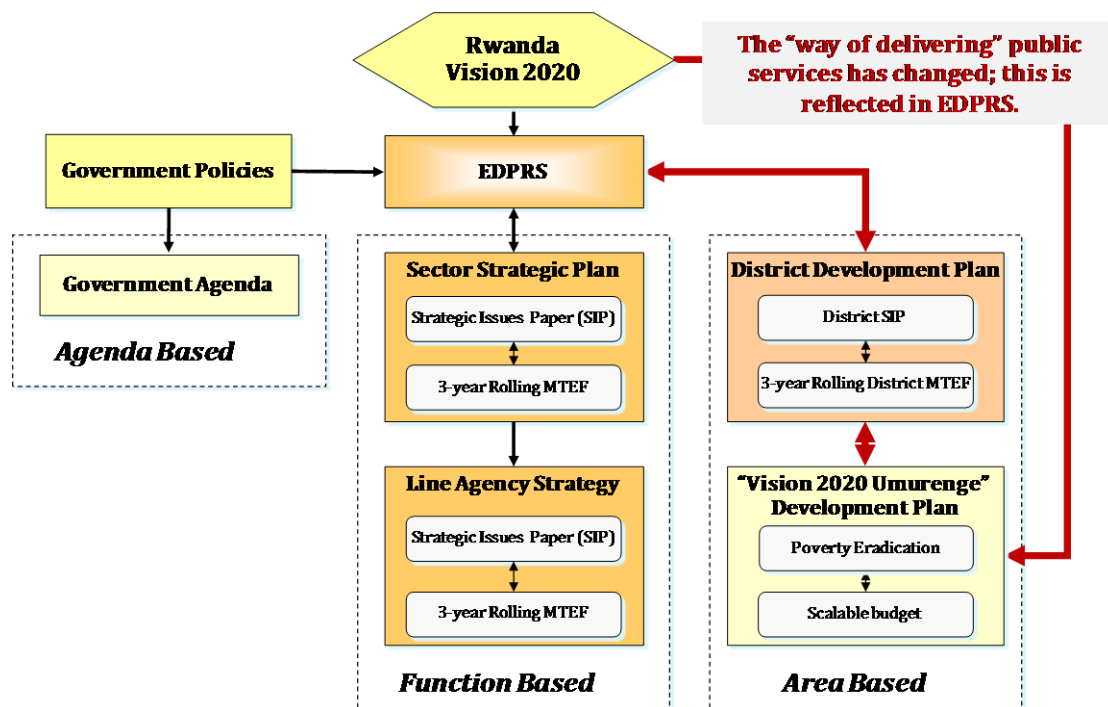
(≈600 people each)



“Vision 2020 Umurenge” is an explicit recognition of the role and importance of the decentralization system to implement the national policies and strategies in order to achieve the MDGs and the objectives of Rwanda Vision 2020. It is a pragmatic approach to make decentralization work while accelerating the rate of poverty reduction in Rwanda.

The VUP features as a flagship program under the Economic Development and Poverty Reduction Strategy (EDPRS) covering the budget years 2008 to 2012. It is an explicit recognition that the “way of delivering” public services has changed in Rwanda. As a flagship program, the VUP does not concentrate on “WHAT” should be done (i.e. sector ministries’ strategies contained in their logical frameworks), but “HOW” it will be done.

Exhibit 3: Complementarities with EDPRS



Although the first EDPRS flagship program is specifically dedicated to economic growth, the VUP (i.e. the second EDPRS flagship) is essential in ensuring that economic growth is pro-poor and the majority of the population takes part in the improvements in living standards that the country as a whole is experiencing. Since the VUP also seeks to improve the efficiency in poverty reduction, there is also an overlap with the third EDPRS flagship program: governance. The three EDPRS flagship programs are therefore closely related to make significant headway towards the MDGs and the objectives of Rwanda Vision 2020.

ECONOMIC RATIONALE

During the Akagera retreat of February 2007 (Akagera IV), the leadership of the country debated on the scale and depth of poverty in Rwanda as well as the possible remedies.

It was found that at the rate of poverty reduction observed between 2001/02 (corresponding to the EICV1) and 2005/06 (corresponding to the EICV2) the country would only achieve the Vision 2020 poverty target of 30% in 2030. This missed target was deemed unacceptable!

The underlying logic is as follows: To reduce the poverty rate from its current level of 57% to the Vision 2020 target of 30%, the country should observe a reduction of 27 percentage points. Given the average per capita consumption growth of 3% per year and the efficiency in poverty reduction of -0.39,² it would take 23 years to achieve a reduction of the 27 percentage points. From 2007, a period of 23 years leads to 2030... or 10 years after 2020.

Possible remedies include:

1. Increasing average real GDP growth,
2. Decreasing average population growth, or
3. Improving efficiency in poverty reduction.

Following the ambitions set in Rwanda Vision 2020, the leadership decided to follow an innovative and comprehensive approach to make a difference by targeting all three indicators with clear targets over the medium-term corresponding to the EDPRS period.

Table 1: Akagera IV Targets

Akagera IV	Current	Target
1. Average real GDP growth 2008-12	6.3%	8.0%
2. Average population growth by 2012	2.7-3.3% ³	2.0%
3. Efficiency in poverty reduction	-0.39	-1.00

² This efficiency in poverty reduction is also called the elasticity of poverty reduction. It is measured as the percentage reduction in poverty for every one percent increase in per capita real consumption growth. In other words, it gives an indication of how much income/consumption growth translate into poverty reduction... or an indication of the extent to which economic growth is pro-poor.

³ The Census from August 2002 put population growth at 2.7%. Current uncontrolled trends with lower mortality, longer life expectancy, higher fertility and a wide-bottom of the population pyramid put the projected uncontrolled rate at 3.3%. The target should therefore be assessed at the next Census in 2012 but substantial efforts to reduce population growth are already required.

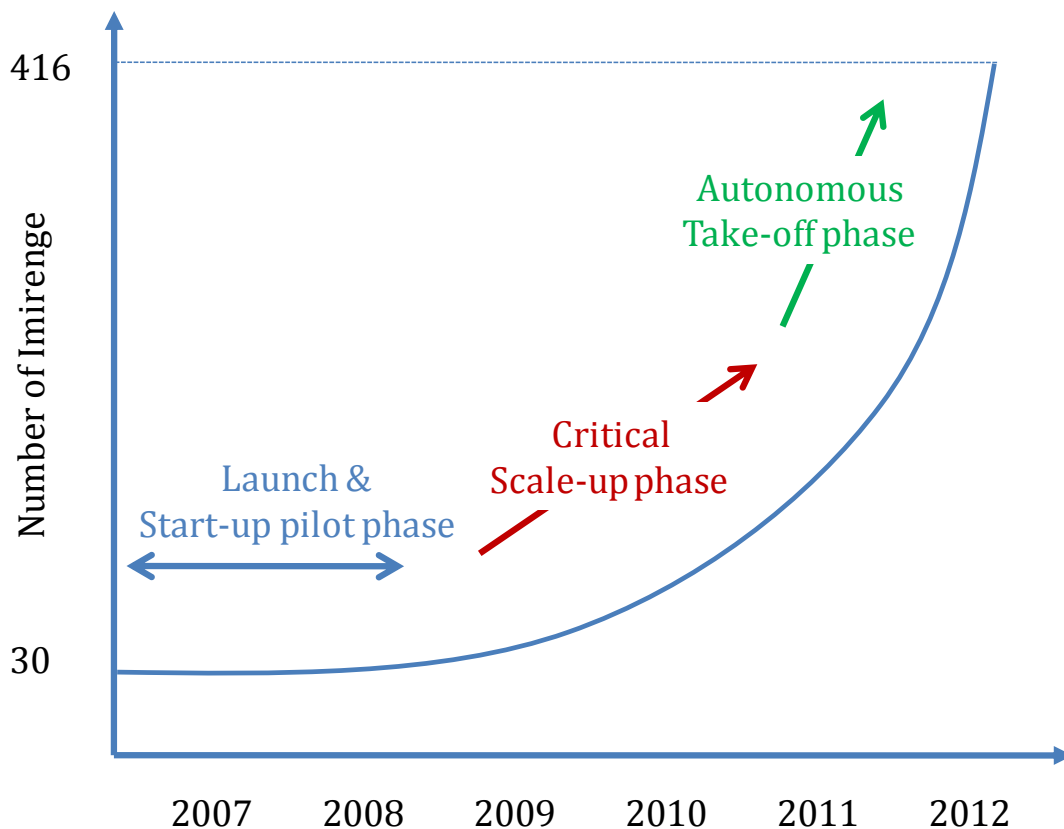
These national targets provide a useful reference for VUP which primarily focuses on the efficiency in poverty reduction but will seek to contribute directly to economic growth in rural areas and indirectly to population control.

PILOTING RATIONALE

The initiative will start with 30 Imirenge (i.e. one of the poorest Umurenge in each of the 30 Districts)⁴ and about 600,000 people in 1,080 Imidugudu. The design and structure should facilitate an informed and orderly roll-out across the other 386 Imirenge in the country over a period of 3-5 years, after successful completion of the start-up pilot phase of 18 months by end-2008. While start-up phase is usually difficult, the scale-up phase is critical. Success in these phases, however, usually means the take-off is almost autonomous and much easier.

It is a matter of policy choice, political support and availability of resources that determine the length of the scale-up phase. With clear choice, strong support and commensurate resources the critical scale-up is often easier and faster.

Exhibit 4: Phases of VUP Expansion



⁴ Selection criteria included: food security, access to water, distance to education, distance to health center, and level of Umudugudu-zation (i.e. clustered village settlement pattern).

To ensure success, it is fundamental to describe precisely what is being piloted, thereby justifying the scaling-up of the start-up pilot phase.

The VUP is meant to prove that it is possible to accelerate the rate of poverty reduction in Rwanda by increasing the efficiency in tackling poverty. Since the decision to scale-up should occur by the end of 2008, success in the first instance should be judged on the ability to leverage existing technical and financial assistance, to mobilize new resources, to mobilize local communities, to put in place efficient systems of financial & fiduciary management, and to establish convincing mechanisms for monitoring & evaluation.

In addition success should be judged by the specific targets pertaining to the program components (see Program Objectives section) and the execution rate during the pilot phase.

All this will require using the decentralization system to its best and adhering to the following guiding principles.

GENERAL DESCRIPTION

What is "Vision 2020 Umurenge"? The essence of the program is to tackle extreme poverty. How? By releasing the productive capacities of the Rwandan people and offering solutions adapted to their needs. In a nutshell, the VUP seeks: *"Not conform but to transform – Not relieve but to release!"*⁵

RELEASING PRODUCTIVE CAPACITIES

Past experiences were based either on "isolated" interventions by sector ministries, donors or NGOs, or attempts at "integrated" rural development. Both isolated and integrated approaches have proven insufficient to lift people out of extreme poverty in a cost-effective and sustainable fashion. One of the main limitations has been the failure to address two of the most important insights of economics: (i) "resources are scarce" and (ii) "people respond to incentives."

Because resources are scarce compared to people's needs, choices must be made. When choices are made for people (e.g. centralized planning), there are risks of not satisfying these needs or distorting local incentives; this generally leads to wastes of resources. When choices are made by people (e.g. participatory mechanisms), these risks are alleviated but the incentives may not be compatible with the stated aim of eradicating extreme poverty.

In order to capture these insights, the VUP balances central guidelines for socio-economic transformation (i.e. economic growth, job creation and extreme poverty eradication) with local participatory mechanisms. This intends to make the best possible use of scarce resources while, at the same time, ensuring adequate local incentives for sustainable progress.

To release the productive capacities of people, the VUP is builds on past experience which shows that isolated interventions in land-related activities, credit-related activities, and labor-related activities are necessary but not sufficient to lift people out of extreme poverty in a cost-effective and sustainable fashion.

PAST WEAKNESSES

About half of cultivating households cultivate less than half a hectare. EICV indicates that more than 60% of households cultivate less than 0.7 ha of land, and more than 25% cultivate less than 0.2 ha. Land is scarce and therefore valuable but not used as collateral and not valued to access to finance to buy

⁵ " ... Go to the people; Live among the people; Learn from the people; Plan with the people; Start with what the people know; Build on what the people have; Teach by showing; Learn by doing; Not conform but to transform; Not relieve but to release." Lao Tsu (before 1000 BC)

inputs (i.e. seeds, fertilizers, pesticides, etc.), invest into land improvement (i.e. terracing, irrigation, soil preservation, etc.), or purchase machinery and equipments in order to increase yields and exit from extreme poverty trap.

Most households in the subsistence or informal sectors (i.e. about 2/3 of the Rwandan economy) seldom have access to capital or formal credit; only 4.1% of domestic credit to the economy went to agriculture, animal husbandries and fisheries in 2002-06. The lack of appropriate financial instruments to overcome natural risk aversion hinders risk taking behaviors, entrepreneurship, specialization and investments for advancement and exit from extreme poverty trap.

Virtually all households have idle labor time but either do not find paying jobs or are compelled to work for free/food; evidence from EICV suggests that paid or unpaid on-farm laborers are among the poorest households. This indicates that, contrary to conventional wisdom, "time is not money" in many rural areas. The lack of jobs that pay more subsistence of about RwF 440 for a head of household per day and the absence of formal savings mechanisms prevent the accumulation of sufficient savings to invest for advancement and exit the extreme poverty trap.⁶

FUTURE SUCCESS

The VUP proposes a mechanism to eventually eradicate extreme poverty. It conjectures that the combination of (A) "land-credit", (B) "land-labor", and (C) "labor-credit" are critical factors to succeed in breaking the extreme poverty trap. This conjecture is illustrated in Exhibit 5 and should be tested in the pilot phase of the initiative.

(A) "land-credit" describes the obvious requirement of identifying landowners and foster their access to finance to buy inputs (i.e. seeds, fertilizers, pesticides, etc.), invest into land improvement (i.e. terracing, irrigation, soil preservation, etc.), or purchase machinery and equipments in order to increase yields; this will be implemented mainly through credit packages.

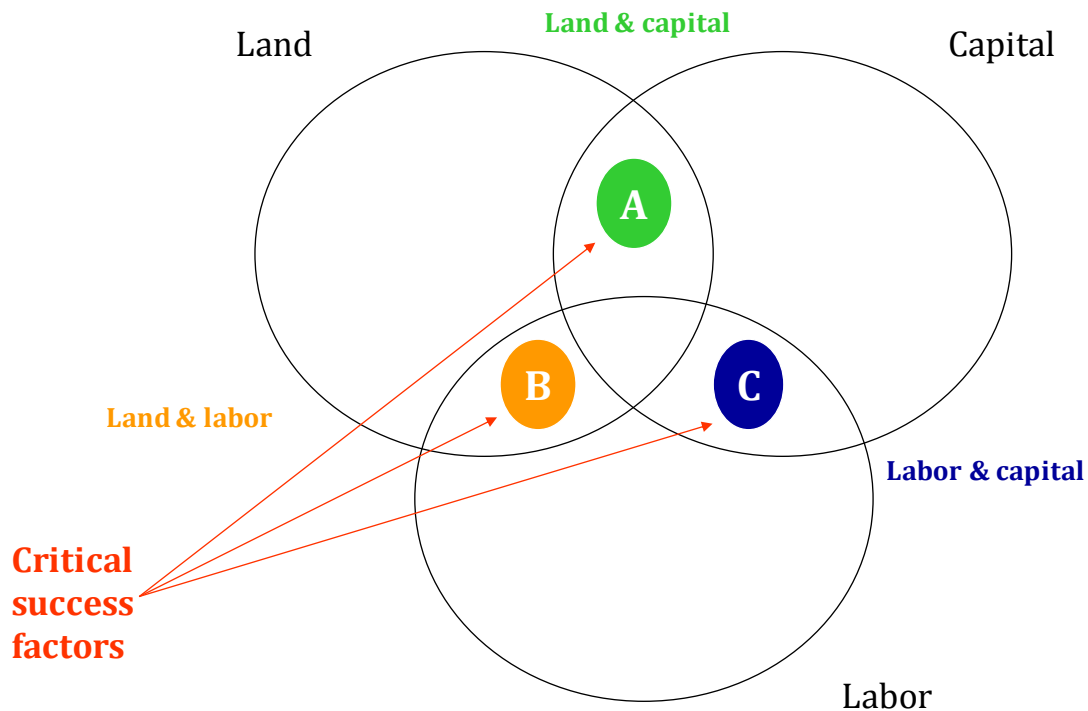
(B) "land-labor" describes the requirement of identifying workers and hire them in improving the value potential of land (i.e. manage watersheds, agro-forestry, construct of roads, schools, health posts/centers, training centers, village settlements, etc.); this will be implemented mainly through public works.

(C) "labor-credit" describes the requirement of identifying workers who can turn into entrepreneurs with access to finance to invest into business assets that

⁶ Household subsistence is estimated at RwF 175 per adult per day (minimum food basket valued in EICV) times 2.5 (dependency ratio or average number of depends per households in EICV), equals about RwF 440.

enables to create job opportunities for others; this will be implemented mainly through credit packages.

Exhibit 5: Critical success factors of VUP illustrated



Unlike labor which is a private factor of production owned by individuals and households, land and capital can be either private or public. Yet both have important contributions to foster economic growth and poverty reduction. Public land can be put to various uses to promote the productivity of private investments. Likewise, public capital (e.g. public infrastructure) is obviously fundamental for the productivity of private investments. In the spirit of EDPRS, public investments at local level should be targeted so as to induce the expansion of private investments, particularly in rural areas.

Hence, beyond the critical success factors identified above, land management under the responsibility of the central government (MINITERE) as well as agriculture transformation management (MINAGRI) and infrastructure management under the joint responsibility of the central government (MININFRA) and Districts can directly influence the degree of success of the VUP. Also fundamental for the success and sustainability is the need to rely on formal market mechanism, agri-business, supply-chain transformation, and raising the export potential of producers (MINICOM).

Both on-farm and off-farm opportunities will be sustained through constant technology adoption and skills upgrading to ensure the best use of these technologies. Hence, technical and vocational training (MIFOTRA) as well as curriculum (MINEDUC) need to be adapted to the opportunities of the challenging world in which development efforts take place.

Finally, security (MININTER/MINADEF), justice (MINIJUST) and good health conditions (MINISANTE) of the population are conducive to release the productive capacities in Rwanda. It is a central concern of VUP to ensure that the women and youth populations (MIGEPROFE/MIJESPOC) are well represented as they represent the largest portions of Rwandan productive capacities.

OFFERING SOLUTIONS ADAPTED TO NEEDS

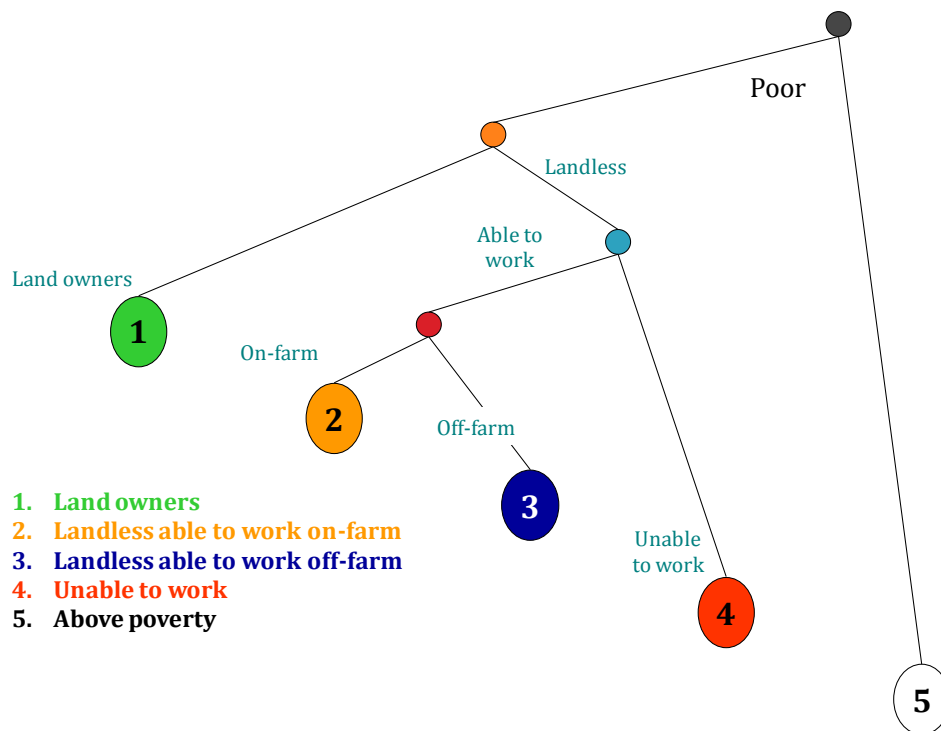
Also influencing the degree of success of the VUP is the ability to identify properly the needs of *"clients"*, those *"who at present have little control over the forces that condition their lives"*, and to establish a good matching between clients' needs and solutions offered. Such client-based approach is usually uncommon in public programs.

GROUPS OF CLIENTS

Identifying the needs of clients, while remaining mindful of the scarcity of resources, requires grouping clients into meaningful groups.

The groups of clients are determined using the Ubudehe social maps and data stemming from each of the 14,975 Imidugudu in the country. Hence, the VUP relies on the Ubudehe experience but takes Ubudehe to the next/higher level in the pilot Imirenge by offering a wider scope of solutions adapted to a larger number of recipients.

Exhibit 6: Five main groups of clients



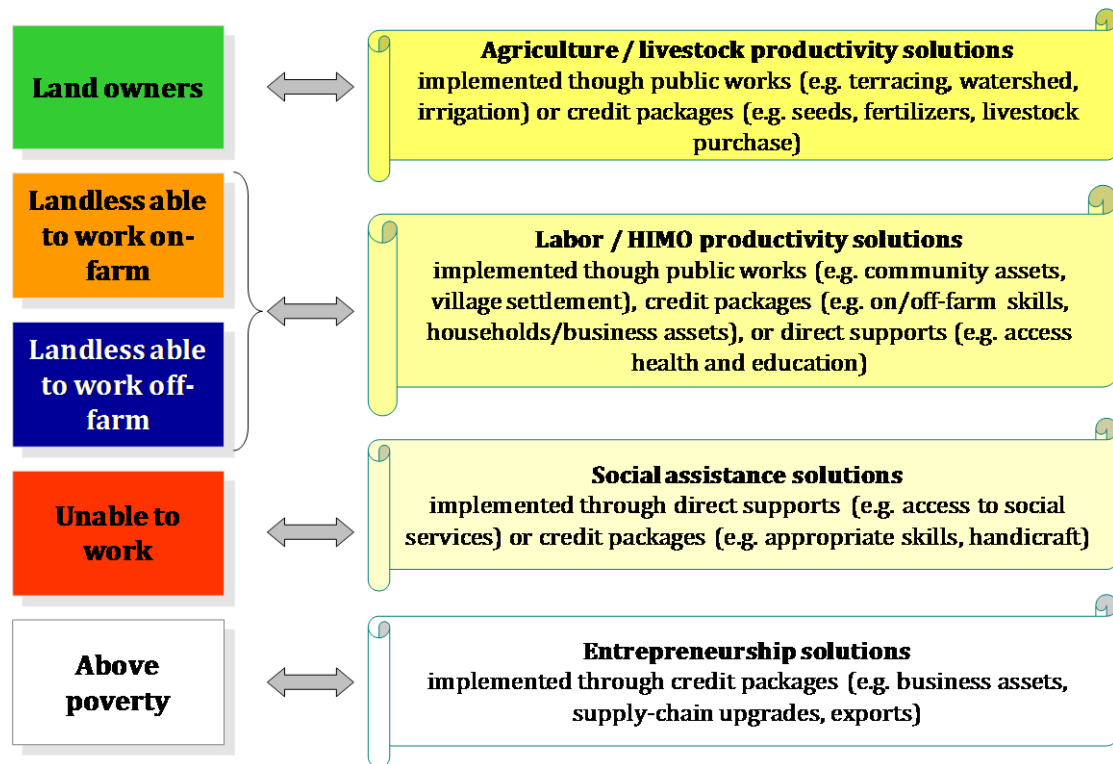
In practice, each Umudugudu under a pilot Umurenge produces a grouping of households according to landholding and ability to work with preferences (or necessity) to supply labor on- or off-farm. The landless unable to work become the prime targets for direct supports whereas the "above poor" who engage specifically in activities that create jobs for others will also be targeted with specific entrepreneurial credit packages to allow them to become responsible employers for the benefit of the community.⁷

MATCHING CLIENTS TO SOLUTIONS

Once the groups of clients have been identified, the challenge is to match these groups of clients with adapted solutions (see Exhibit 7), whose effective delivery will depend on the support of dedicated sector ministries (see Exhibit 10).

⁷ Incorporating solutions for "above poor" is guided by the need to avoid distortions of incentives at the margin, where graduating poor would be reluctant to make progress in fear of losing support.

Exhibit 7: Match groups of clients with adapted solutions



SUPPORTED BY SOCIAL SERVICES

The client-based solutions to release the productive capacities of the Rwandan people will only be effective if they are supported by adequate social services. Indeed people can only be productive if they are healthy, educated, and live in a safe, secure and hospitable environment.

In the state of relative deprivation or extreme poverty in which at least 37% of Rwandans live, much remains to be done by way of delivering basic social services. Therefore, the interventions on the productive side cannot be disconnected from the interventions on the social side.

Therefore, the VUP will work closely with sector ministries to ensure to ensure the availability and access to at least the minimum quality standards of social services in the following areas:

- clean water (all within 500 meters),
- safe shelter and peace (all),
- adequate sanitation (all),
- health insurance called "mutuelle de santé" (all),
- health box and adequate/safe medications (Umudugudu),
- health post (for every 500 people ≈ Umudugudu),
- efficient referral to health center (for every 10,000 people) or hospital,
- family planning and modern contraceptives (adults),

- vaccination/immunization and stunting prevention kits (under age 2),
- pre-primary/nursery schools (under age of 6),
- universal primary education of quality with relevant curriculum (age 7-12),
- universal "tronc commun" with math-science-English/French (age 13-15),
- adult literacy/numeracy programs (above age 15),
- vocational training (above age 15),
- food security (all), and
- hospitable environment (all).

Such basic social services are deemed fundamental requirements for a society and social assistance should ensure appropriate help for those who are excluded from such services.

In terms of program design, there is a fundamental difference between those basic social interventions and productive interventions. Whereas productive interventions are targeted to the needs of clients and respond to bottom-up requests/demands, basic social interventions can be mandated/supplied in a top-down fashion. Therefore, standards in terms of availability, access, quality, and utilization of social services can reliably be determined by sector ministries with limited bottom-up participatory processes.

To ensure ownership and consistency with productive interventions, the possibility of adaptation to external environment through feedback and corrective actions need to be embedded in the program components. In particular, unsatisfactory availability/access/quality of social services by the community can become a driver for urgent action on the productive side. For example, building classrooms or health facilities can be among the acceptable productive activities to ensure improvements in basic social services.

PRIORITIZATION

Generally, all poor households are eligible to participate in the solutions that correspond to their particular circumstances (i.e. landholding and ability to work criteria). However, priority will be given to the extremely poor households.

To ensure efficient targeting and prioritization, each Umudugudu update its targeting exercise to provide a baseline mapping of each household's particular circumstances and poverty profile.

This data gathered through the existing Ubudehe process comes in the following table format. Targeting can then be done with a combination of factor characteristics (i.e. columns – land holding and supply of labor) and socio-economic conditions (i.e. lines – income status also based on objective criteria).

Exhibit 8: Table for data collection and program formulation & prioritization

	Land (threshold 0.25)	Landless but able to work on-farm	Landless but able to work off-farm	Unable to work
Extreme poor	Top priority			
Poor	Priority			
Above poor	Follow through!			

In addition, the VUP responds to the needs of groups of clients by tailoring solutions and program components to the characteristics and conditions of households as well as individual members of households in order to reach the women and youth populations.

MODEL UMUDUGUDU

The wide consultations conducted in preparation of VUP have highlighted that socio-economic clusters, village settlement or model Umudugudu is an important component for accelerating poverty reduction in Rwanda.

As the VUP promotes the potential benefits of village settlements (i.e. Umudugudu-zation) it remains deeply aware of its potential risks and limitations. The VUP will learn from past experiences in Ethiopia, Mozambique, Tanzania or elsewhere and, of course, of experiences in Rwanda (e.g. Kibungo model and Kigali-city model). The elements that are known to have worked can be adopted / adapted and those that did not work will be changed / rejected. An essential requirement will be to make any change incentive-based (and only so) but also responsive to socio-economic circumstances of Rwanda.

Among these circumstances, three groups deserve attention: the youth, the vulnerable, and the ex-prisoners. First, the evidence shows that small landholdings and high costs of material hamper access to property by the youth; yet accessing property is an important emancipation signal in Rwanda and the way to create a household. Second, another group consists of the vulnerable (including some genocide survivors, marginalized groups, socially excluded and many returnees) or about 60,000 households which have needs for improved housing conditions. Finally, as many as 500,000 prisoners will eventually be released and will also need to find housing to reintegrate smoothly in the society.

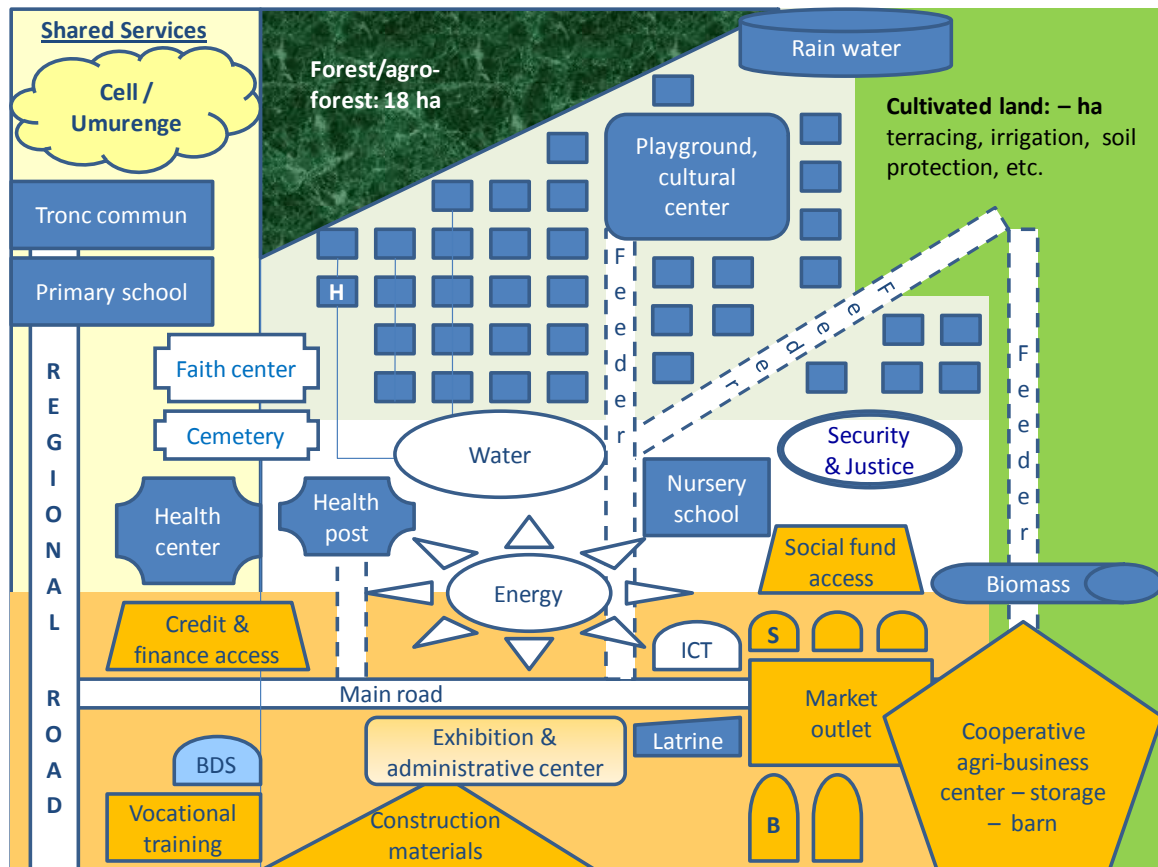
In the absence of housing these groups and other extremely poor people will not be able to join the productive capacities of the country. Building settlements specifically for these groups only could create undesirable ghettos. Integrating new housing with existing housing in village settlements could facilitate both the

service delivery and the sustainability of the integration or re-integration in the society.

Therefore, village settlements should not be viewed as a replication of attempts in other countries, as an esoteric development choice, or as a dangerous evolution but simply as a possible response to genuine challenges of land scarcity and to socio-economic circumstances to which the country is exposed or will be exposed in the medium-term.

Following the piloting rationale of the VUP, there is a new opportunity to test the viability of Umudugudu-zation and experiment on the best possible incentive mechanisms to ensure voluntary (i.e. incentive-based only) settlement into clustered villages as illustrated below.

Exhibit 9: Draft Model Umudugudu



Legend: H = House; B = Business; S = Shop; BDS = Business Development Services; the left-hand side gives "shared services" available at the cell or Umurenge level that cannot be efficiently supplied at Umudugudu level; the right-hand side is the modern farming area with consolidated land (not further than 1 km away!), soil protection and possibly a cooperative; the upper-part is the residential area while the lower-part is the socio-economic cluster; appropriate utilities, social services, security, and a clean and hospitable environment.

Specific criteria and standards for building such a clustered village settlement have been compiled during consultations and will be reported in the [VUP Implementation Manual].

QUANTIFYABLE OBJECTIVES

The VUP follows three key objectives enumerated earlier:

1. Releasing the productive capacities of people and offering solutions adapted to their needs;
2. Improving community livelihood assets (e.g. eco-systems rehabilitation) and ensuring their sustainable usage;
3. Increasing the targeting of social protection to the most vulnerable.

To ease the monitoring of progress and the evaluation of success, these key objectives are accompanied with a number of quantifiable inputs, objectives and expected outcomes.

EXPECTED OUTCOMES

As already indicated the VUP will have at least three additional benefits. First, it will allow creating off-farm employment opportunities, thereby facilitating the eventual transition to a modern knowledge-based society according to Rwanda Vision 2020. Second, it will allow accelerating the process of monetization and formalization of the economy, thereby ensuring long-term sustainability. Third, it will allow redirecting social protection to the neediest people who are landless and unable to work, thereby rationalizing and improving the effectiveness of social protection programs.

Hence, with the Akagera IV targets (see Table 1) and the key objectives of the program components, the following outcome can be expected to materialize in the medium- to long-term:

Table 2: Expected outcomes

	<u>Current</u>	<u>Target 2012</u>	<u>Target 2020</u>
1. Off-farm employment	20%	30%	70%
2. Non-monetized economy	30%	20%	0%
3. Extreme poverty	37%	20%	0%

SPECIFIC OBJECTIVES

In pursuing the key objectives and outcomes, the following objectives should be considered in VUP implementation, SDPs, for management monitoring,

community mobilization as well as program evaluation in reporting. The list is neither complete nor exhaustive and specific targets need to be ascertained refined/finalized with the use baseline surveys and Ubudehe data. Furthermore, the list will be specific to each Umurenge and will be aggregated for an overall evaluation of the VUP.

Table 3: Specific objectives per Umurenge

	<u>Base-</u> <u>line</u>	<u>Target</u> <u>2008</u>	<u>Target</u> <u>2010</u>	<u>Target</u> <u>2012</u>	<u>Target</u> <u>2020</u>
1. Land productivity (avg. yield per ha)					
2. Financial service coverage					
3. Off-farm jobs/opportunities					
4. Off-farm jobs for the youth					
5. Access to training centers					
6. Formal market transactions					
7. Clustered village settlements					
8. Access to drinking water					
9. Access to schools					
10. Access to health facilities					
11. Provision of social services					
12. Community spirit					

In addition, the VUP Implementation Manual will define criteria to assess the success of the start-up pilot phase and trigger a scaling up. These criteria could involve ability to leverage existing technical and financial assistance, to mobilize new resources, to mobilize local communities, to put in place efficient systems of financial & fiduciary management, and to establish convincing mechanisms for monitoring & evaluation.

INPUTS

Beyond the above criteria, the program execution can be assessed with reference to key inputs relating directly to the program components. These include:

Table 4: VUP inputs

<u>Program components</u>	<u>Baseline</u>	<u>Target 2008</u>	<u>Target 2012</u>
(a) Number of public works projects			
(b) Number of workers involved in public works			
(c) Amount in RwF of salaries disbursed through public works			
(d) Amount in RwF of savings mobilized			
(e) Amount of material procured from private sector			
(f) Size of credit packages portfolio in RwF			
(g) Number of new micro-credit clients			
(h) Number of microfinance institution involved			
(i) Number of associations / cooperatives created			
(j) Coverage of direct supports in RwF			
(k) Number of beneficiaries by social characteristics			
(l) Number of house constructed for vulnerable			

PROGRAM COMPONENTS

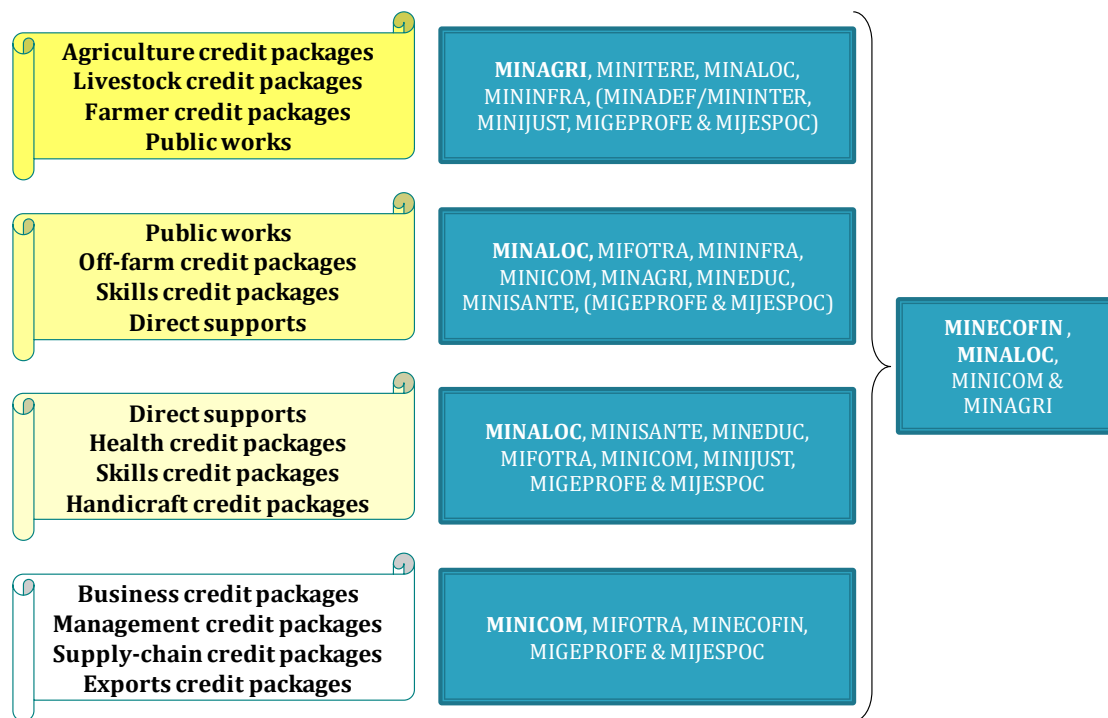
The VUP is organized around three components to implement the client-based solutions and put money straight into the pockets of hard working Rwandans who participate in the VUP:

1. Public works are planned using community-based participatory approaches (e.g. Ubudehe) and intend to build productive community assets. Since private land ownership is widespread in Rwanda, public works can take place on either public or private land (e.g. terracing). However, the case must be made that the assets benefit the community at large. Indeed, when such benefits are clear, the community will have the incentive, or a vested interest, to conduct the maintenance of these community assets, thereby ensuring sustainability.
2. Credit packages to tackle extreme poverty as well as to foster entrepreneurship and off-farm employment opportunities; these packages are designed to make the best possible use of scarce public resources, involve the private financial sector, and provide people with incentives to improve their own productive capacities.
3. Direct supports to improve access social services or to provide for landless households with no members qualifying for public works or credit packages; such unconditional supports seek to expand health and education coverage as well as to encourage the development of "appropriate" skills, handicraft, or social service activities.

These three program components are not necessarily mutually exclusive. For instance public works can be complemented with credit packages, etc. In addition, a distinction is made between a household and members of the household. This is crucial to cater for women and youth which represent important productive capacities but may not be heads of households. Hence, eligibility to these programs intends to address the concerns of women and the youth populations.

The program components will be implemented through a set of projects which will be design and coordinated at Umurenge level and implemented at Umudugudu level. Both program components and projects are linked to technical specialists in sector ministries which also provide the strategic direction and priorities as well as specific technical standards and policies.

Exhibit 10: Link solutions and program components to lead providers



PUBLIC WORKS

Public works builds on the experience of "haute intensite de main d'oeuvre" (HIMO) projects throughout the country. The VUP seeks to revive such initiatives and put in place guidelines to avoid weaknesses and abuses that have hindered HIMO projects in the past.

DESCRIPTION

Public works are labor intensive community-based activities designed to achieve the following objectives:

1. Provide employment in order to gain an income thereby beginning the process of migrating out of extreme poverty; and
2. Create productive sustainable community assets.

Financial resources for public works will include salaries below market wages for workers and a [lump-sum] transfer to the community for the procurement of goods and services as well as administrative/management costs.

The salary scale and the amount of transfer will be published in [newspaper] and revised regularly to reflect changing conditions in labor and product markets.

Technical resources (i.e. engineers, promoters, technical leaders, etc.), training, and technologies for public works will come from sector ministries who are responsible for the specific project.

ELIGIBILITY

Public works are intended for adult women and men. This includes pregnant women during her first six months of pregnancy, lactating women after 10 months of giving birth, and female heads of households. It excludes sick or mentally challenged people unable to undertake even light work; pregnant women in their final trimester of pregnancy; and lactating women in the first 10 months after child birth.

SELECTION AND APPROVAL

The selection of public works projects to be undertaken will be driven by a participatory planning process in order to promote the identification and prioritization of community needs. Hence, planning begins with the Umudugudu identifying key outcomes it wishes to achieve and then developing a list of projects that will achieve these outcomes.

The Umudugudu Committee makes recommendations on the provision of public works. These recommendations will be reviewed by the Umudugudu Council. Eventual approval of public works will be made by the Umurenge and/or District Councils, depending on the nature of public works.

The final decision will be made by the VUP Management Team in consideration of the following:

- (i) the identification of community needs;
- (ii) the potential of the project in generating growth, creating employment and eventually fostering exports;
- (iii) the pool of technical resources available; and
- (iv) the funds available.

EFFECTIVE EXECUTION

Public works project design and effective delivery of salaries, transfers, procurement, fiduciary control, management, monitoring, evaluation, etc. will be detailed in the [VUP Implementation Manual].

EXAMPLES

Examples of desirable outcomes and corresponding on-farm or off-farm projects:

- (a) Improved land productivity (e.g. building watersheds, hillside terraces, irrigation mechanisms);
- (b) Improved financial/business services at the community level (e.g. building related infrastructure);

- (c) Improved infrastructure for off-farm employment (e.g. building workshops, training centers, supply-chain transformation centers, storage warehouses);
- (d) Improved formal market infrastructure (e.g. construction of roads, bridges, dams, energy sources);
- (e) Improved clustered village settlement (e.g. building of model Umudugudu infrastructure);
- (f) Improved access to drinking and irrigation water (e.g. digging springs, shallow wells, rain water harvesting, water ponds);
- (g) Improved access to schools (e.g. repairing and constructing classrooms and nurseries);
- (h) Improved access to health facilities (e.g. repairing and constructing health facilities).

RESTRICTIONS

The creation of household assets is not the direct objective of the public works projects, and households cannot be paid individually to work on their land. However, keeping in mind the holistic approach to community development, work on household land can be undertaken if it will benefit the community at large. Furthermore, public works can be conducted on household land belonging to female-headed households with no labor in order to enhance their productivity directly. In all cases, public works projects that take place on household land are permitted if endorsed through the participatory community planning process and by the land owner.

CREDIT PACKAGES

Credit packages builds on similar experience in Ethiopia. Whereas their experience has prevalent focus on agriculture and livestock, the innovation with credit packages in Rwanda is to go beyond natural resources to cover human resources (i.e. skills), entrepreneurship and off-farm employment.

DESCRIPTION

A credit package is a formal contract that describes the use of the credit in pre-specified activities (i.e. packages). This contract is agreed upon with the community, endorsed by the community, and approved by the VUP Management Team. It allows the bearer to benefit from the VUP Insurance Scheme (VUPIS), which will facilitate the credit approval by local microfinance institutions. The latter can be expected to ease the requirements thanks to the insurance provided by the VUP which, in turn, is made possible thanks to community peer-pressure that would result in case of individual default.

The VUPIS is essential to sustaining the viability of the credit packages. It covers the default risk on approved credit packages and endorsed by the community. It proposes either a rescheduling of the defaulted debt or a downright pay-off of

outstanding liabilities. Rescheduling occurs when default results from circumstances within the control of the client/creditor or resulting from either his/her neglect or his/her household's neglect. Pay-off occurs when default results from circumstances beyond the control of the client/creditor such as natural disaster. Each approved credit packages will contain the clauses describing contingencies in case of default.

The VUPIS will be structured either a public-private partnership or a private concern, and operate under the principles of modern corporate governance; it will seek reinsurance by reliable underwriter(s).

ELIGIBILITY

Credit packages are intended for adult women and men. This includes pregnant women, lactating women, and female heads of households. It excludes sick or mentally challenged people unable to undertake even light work. Restrictions apply for the landless unable to work who cannot generate income to pay back the loan.

SELECTION AND APPROVAL

Proposals for credit packages will be driven by a participatory planning process in order to promote the identification and prioritization of local agri-business as well as off-farm business and employment opportunities. Hence, planning begins with the Umudugudu identifying key outcomes it wishes to achieve and then propose a list of packages that will achieve these outcomes.

The Umudugudu Committee makes recommendations on the adoption of credit packages. These recommendations will be reviewed by the Umudugudu Council. Eventual approval of credit packages will be made by the VUP Management Team upon recommendation of the Umurenge Council and notified to the District Council.

The final decision to disburse the credit will be made privately by the microfinance institution that is expected to provide the loan.

EFFECTIVE EXECUTION

Credit package design and procedures, monitoring, evaluation, etc. will be detailed in the [VUP Implementation Manual].

EXAMPLES

Examples of desirable outcomes and corresponding credit packages are:

- (a) Improved land productivity (e.g. through agriculture, livestock and farmer credit packages for seeds, fertilizers, pesticides, farmer training, or technology adoption);
- (b) Improved savings mobilization (e.g. through livestock, skills and management credit packages);
- (c) Improved off-farm employment opportunities (e.g. through skills, management, off-farm, energy, transport, skill, supply-chain management and export credit packages);
- (d) Improved technical and vocational skills (e.g. through skill credit packages);
- (e) Improved formal market participation (e.g. through off-farm, energy, transport, skill, supply-chain management and export credit packages);
- (f) Improved village settlement density (e.g. through construction material and mortgage credit package);
- (g) Improved health conditions (e.g. through health credit packages);
- (h) Improved productive capacity (all credit packages by design!).

RESTRICTIONS

Credit packages are designed to release the productive capacities of clients; they are not intended for consumption goods. Besides this general restriction, credit packages can be proposed and recommended for approval. However, since the final decision is made privately by microfinance institutions, restrictions may emerge as a result of decisions from these institutions or their prudential regulator.

DIRECT SUPPORTS

Direct supports have the same intent of releasing the productive capacities. It is thought that improved targeting is possible once land owners or able bodies have been screened out and directed towards public works or credit packages.

DESCRIPTION

Households without labor to participate in on-farm or off-farm employment (i.e. public works projects) may require direct support to lift them out of extreme poverty. Direct support activities are designed to provide grants to the neediest members and most vulnerable of the community. Such support is unconditional but beneficiaries will be expected to engage in appropriate skill acquisition activities, handicraft, and social service activities.

ELIGIBILITY

Direct supports are intended for those unable to participate in public works and those without productive capacity to qualify for credit packages. It includes those who do not have sufficient and reliable support from son/daughters or remittances from relatives away from the village. Such individuals may include some disabled persons, child headed households, marginalized persons, elders, lactating mothers in the first 10 months after birth, pregnant women in their last trimester, genocide survivors, persons living with HIV/AIDS, street children, widows headed households, refugees, and returnees.

SELECTION AND APPROVAL

The Umudugudu Committee makes recommendations on the provision of direct support to individual households. These recommendations will be reviewed by the Umudugudu Council. Eventual approval in-kind transfers or cash transfers will be made by the Umurenge Council and notified to the District Council. This final decision will be made by the VUP Management Team in consideration of the pool of in-kind resources and funds available.

EFFECTIVE EXECUTION

Payments and effective delivery of transfers, procurement, fiduciary control, management, monitoring, evaluation etc. will be detailed in the [VUP Implementation Manual].

EXAMPLES

Since the activities are targeted at labor poor households, they should be light in labor demand but useful at the same time to the individuals and the community. Such activities may include;

- (a) community child care centers (on public works sites);
- (b) community sanitation, health and family planning classes;
- (c) participation in child nutrition and growth promotion classes;
- (d) participation in adult literacy/numeracy classes;
- (e) participation in artisan activities and handicraft.

RESTRICTIONS

Land owners or able bodies have been screened out and directed towards public works or credit packages but did not obtain credit packages are restricted to receive direct support unless their individual/household circumstances justify such a reclassification. Are restricted those who qualified for direct support but consistently failed to engage in appropriate skill acquisition activities, handicraft, or social service activities. Are also restricted those who are found to have misrepresented the facts that led the community to qualify them for direct support.

INSTIGATE CHANGES

Supported by evidence from a number of surveys, including EICV, the leadership of the country agreed in Akagera IV that the first generation of Poverty Reduction Strategy (PRS) had produced disappointing and unacceptable results. It failed to make significant headway towards the MDGs and the objectives of Rwanda Vision 2020. The leadership, therefore, recommended a change of course and mandated that the new course take advantage of the decentralization system which is now in its consolidation stage.

Acting upon this recommendation and mandate, VUP seeks to address and overcome some of the weaknesses of the first generation of PRS. One of the main problems identified by the independent evaluation of PRS was a lack of coordination across sector ministries, resulting in widespread inefficiencies in tackling poverty.

Because the VUP relies on overcoming past weaknesses, it is fundamental to identify and acknowledge those weaknesses and ensure coordination failures are being addressed. The following box captures the essence of the reflection.

Box 1: Improving Service Delivery through Collaboration⁸

“The local governments are in a better position than central authorities to emphasize connections across service sectors, given that the new district organization places all administrative and service delivery coordination under the district executive secretary. In this regard, incentives and capacity-building support are required to encourage the integrated management of service delivery through the district development planning process.

To ensure that the notion of the interconnectedness of services is instilled at the policy level, policymakers, planners, service providers, and even donors will need to shift their thinking from being oriented to their own institutions or sectors to being focused on the needs of clients. The most appropriate mechanisms to effect and manage this change are the poverty reduction strategy and the medium-term expenditure framework for two reasons: First, poverty reduction is multi-sectored and is the main framework for resource mobilization and allocation. Second, the medium-term sector budget allocations could provide the right incentives for enforcing compliance.

As things stand, however, the main challenges to a more interconnected approach are the perceptions of most policymakers and service managers that decentralization only raises political and administrative issues, as well as the

⁸ Extracted from “Making Decentralized Service Delivery Work in Rwanda”, p. 42, October 2006; the first and second paragraphs’ order has been swapped.

perceptions of most local governments and some sector ministries that the local governments are under and answerable to the Ministry of Local Government, Good Governance, Community Development, and Social Affairs. If these perceptions can be changed through the ongoing policy dialogues on service delivery, poverty reduction, and medium-term expenditures, then policies will be more collaborative and local governments will be willing to make initiatives to work with sector ministries."

It follows that, in order to overcome coordination failures, the main changes that the VUP needs to instigate, manage and follow through can be summarized under the following three headings:

ASSIST LOCAL GOVERNMENTS

<u>Changes Required</u>	<u>Summary of Change Management Considered</u>
<p>1. Assist local governments to coordinate the implementation of national sector ministries' strategies (i.e. EDPRS sectors' logical frameworks);</p>	<p>a. Establish Sector Joint Action Forum (SJAF) and make them operational</p> <p>b. Rapid Response Mechanism for immediate troubleshooting (initially in MINALOC for start-up phase; delegated to districts after)</p> <p>c. Achieve adequate mix of top-down and bottom-up approaches to expand the scope of planning using Ubudehe development facilitators trained and operating at grassroots level (all country)</p> <p>d. Inform District Development Plans (DDPs) with the VUP's objectives and requirements, including consultation at grassroots level (pilot only)</p> <p>e. Establish Sector Development Plans (SDPs) consistent with the VUP's objectives (pilot only)</p> <p>f. Link District Public Investments to EDPRS priorities and flagship programs (all country)</p> <p>g. Build-in accountability through special VUP Imihigo between Imirenge and Districts (pilot only)</p> <p>h. Direct accountability through local elections (all country)</p>

INSTILL THE NOTION OF INTERCONNECTEDNESS

<u>Changes Required</u>	<u>Summary of Change Management Considered</u>
<p>2. Instill the notion of interconnectedness of services across sector ministries;</p>	<ul style="list-style-type: none"> a. Accountability through Ministers responsible for one District (and therefore the VUP within it) pursuant to Cabinet decision of [date] b. Coordination at national level: National Steering Committee for VUP c. Regular consultations, communications and information sharing with focal points nominated in each relevant sector ministries d. Bilateral consultations with each sector ministry to gather support and pledge of technical and financial resources to VUP (need to be summarized commitments in a Memorandum of Understanding (MoU) – because there are no specific budget lines!)

CHANGE ATTITUDES

<u>Changes Required</u>	<u>Summary of Change Management Considered</u>
<p>3. Change attitudes through proactive interventions of all sector ministries to accelerate the rate of poverty reduction in Rwanda.</p>	<ul style="list-style-type: none"> a. Jointly design an ideal Umudugudu and an ideal Umurenge where each sector ministry has to contribute its piece to the edifice (need to be piloted: "teach by showing – learn by doing – not conform but transform – not relieve but release") b. Community mobilization to establish positive dialogue for socio-economic development c. Accountability and community participation in decision making (strengthened in pilots) d. Ownership by the addressing the needs of clients identified through Ubudehe consultations at grassroots level e. Adaptation to external environment through feedback and corrective action embedded in the service delivery systems f. Build "institutional cumulated wisdom" for wider sharing of experiences (successes as well as failures)

Hence, far from duplicating structures or scattering current efforts, the VUP seeks to focus attention of all stakeholders on the needs of public service clients, the Rwandan people.

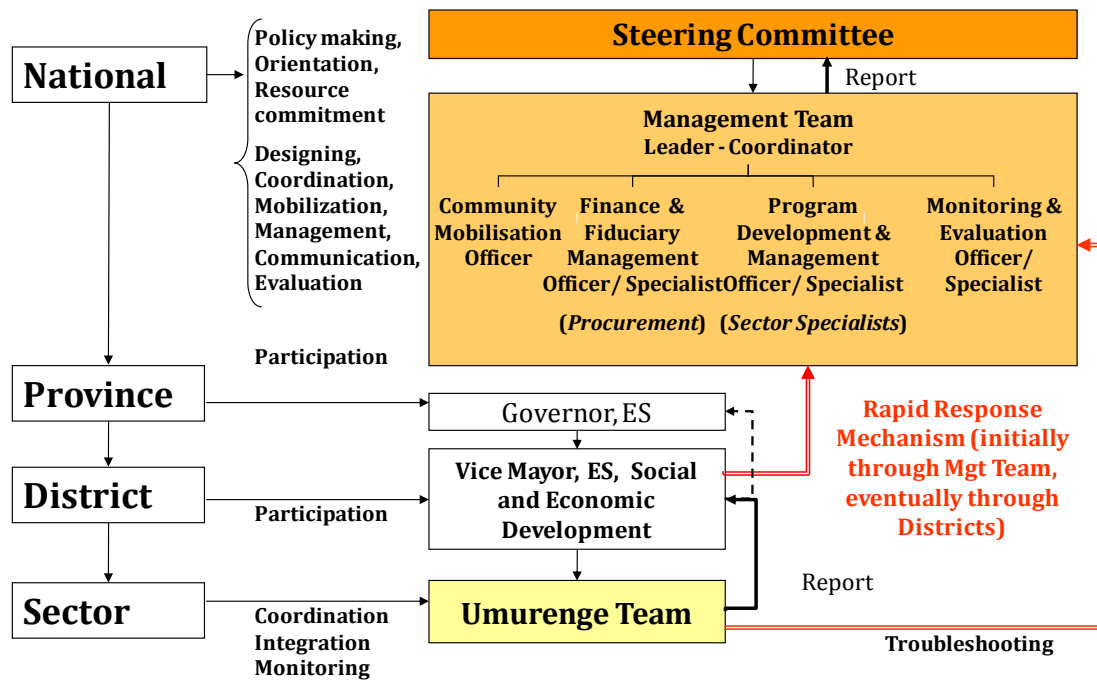
INSTITUTIONAL IMPLEMENTATION ARRANGEMENTS

The VUP has been designed with an implementation focus in mind. As such, the program components already indicate the implementation strategy to be followed. The remaining issues are linked to the organization and how the VUP fits within the existing decentralization system.

ORGANIZATION

The organization structure calls for a VUP Management Team centrally located within MINALOC to ensure the overall coordination and management of the program. This VUP Management Team will report to a Steering Committee purposely created to oversee the implementation of the VUP.

Exhibit 11: Organization structure



STEERING COMMITTEE

The program steering committee will be put in place to ensure program oversight, orientation and guidance. The steering committee will be widely representative to reflect all ministries whose sector activities will form part of the VUP activities.

The VUP steering committee will comprise ministers from five core ministries: MINALOC, MINICOM, MINAGRI, MINITERE and MININFRA. It will also involve

two high-level representatives from development partners, one from the civil society and one from the Private Sector Federation.

The steering committee will be chaired by MINALOC and co-chaired by one of the five core ministries for VUP. It will occasionally call for a wider stakeholder meeting that could involve some of the following stakeholders.

Ministers who have taken part in the consultation meetings and appointed a focal point for VUP are: MINALOC, MINECOFIN, MINICOM, MINAGRI, MIFOTRA, MINITERE, MININFRA, MINEDUC, MINISANTE and MINADEF. In addition, due to their specific relevance to the VUP, MININTER, MINIJUST, MIGEPROFE, and MIJESPOC ought to participate.

High-level representatives from the following development partners have already expressed interest: DFID, EU, GTZ, the Netherlands, ONE-UN, USAID, WB, and WFP; this list is not necessarily exhaustive and will also comprise donors who commit financial and/or technical resources to the VUP and/or CDF.

Also considered are organizations like CARE, SNV, or Action Aid who may have expressed an interest for direct involvement in VUP, without necessarily or directly committing financial resources into the VUP Fund.

COORDINATING MINISTRY

MINALOC will be the sector ministry entrusted with overall responsibility of supervising and facilitating the coordination of program activities. In particular, it will be responsible for:

1. Calling and chairing the steering committee meetings;
2. Conducting daily follow-up and monitoring of the program activities;
3. Receiving and analyzing reports from the VUP Management Team;
4. Performing advocacy and resource mobilization for the program activities.

MANAGEMENT TEAM

In the initial start-up phase, the VUP Management Team under MINALOC will include eight (8) permanent staff, supported by short-term technical consultants. Five (5) permanent local staff will be supported by three (3) international specialist staff; all are contracted on a competitive basis.

The VUP Management Team will be organized along the following functions:

1. Coordinator – team leader;
2. Community mobilization specialist;
3. Finance and fiduciary management officer/specialist;
4. Program and resource mobilization officer/specialist;
5. Monitoring and evaluation officer/specialist.

Draft terms of references (ToR) for these functions have been prepared and approved by MINALOC.

It is envisaged that the functions of the VUP Management Team that cannot be carried out by the Imirenge will be transferred to Districts in the scale-up phase of the program. This will effectively make the VUP Management Team redundant and its role will be terminated.

UMURENGE TEAM & SJAF

Active coordination, activities integration and monitoring will take place at Umurenge level by a dedicated Umurenge Team which includes the following civil servants:

1. Executive Secretary
2. Agriculture Extension Officer
3. Social Welfare
4. Governance and Administration

In addition, these civil servants will be supported by technical personnel in the following fields:

5. Umurenge program manager
6. Civil engineer ("genie civil")
7. Finance manager
8. Statistician

In addition, pledges have been made by NISR to recruit statisticians to support the Umurenge Team and there is a need for a trained accountant for financial and fiduciary management. Proposals for increasing technical resources at the Umurenge level (e.g. engineer – "genie civil" responsible for guiding public works, applying new techniques/technologies, and overseeing the maintenance of community assets built through public works) are pending formal approval.

The ToR for these Umurenge staff and the Umurenge council are legally defined. They report to their District official and are supported by the SJAF.

The newly created Sector Joint Action Forum (SJAF), approved by Cabinet will be an important body to support the work of the Umurenge Team and informing the Umurenge Council. The ToR for the SJAF is detailed in the Ministerial Instruction. It is envisaged that the SJAF comprises the following members:

- Sector staff,
- Cell Executive Secretaries (5),
- Chair of CDCs at sector and cell level,
- Representative of all Civil Society Organizations (CSOs),
- National and international NGOs,
- Community Based Organizations (CBOs),

- Faith-based organizations,
- Development projects representatives,
- Private and financial (incl. microfinance) sectors,
- Women and Youth Council representatives,
- Concerned leaders at national, provincial and district level, and
- Any other who can contribute to community development.

CELL

The Cell Executive Secretaries (5) should be the permanent spokesperson for the cell as well as all Imidugudu below it. However, it is also possible for members of the Umudugudu Council, Umudugudu Committee, or Ubudehe Committee to attend the discussions of the SJAF as an interested party.

UMUDUGUDU

All public works projects, credit packages and direct supports will lead to activities *implemented* at the Umudugudu level. Hence, Umudugudu are a crucial component of the VUP.

Umudugudu investments approved by the Umudugudu Council should be brought to Umurenge Team for approval by the Umurenge Council. Any decision made at Umurenge level will be notified to the VUP Management Team no later than one working day following this decision. This is essential to ensure a quick release of funds.

RAPID RESPONSE MECHANISM

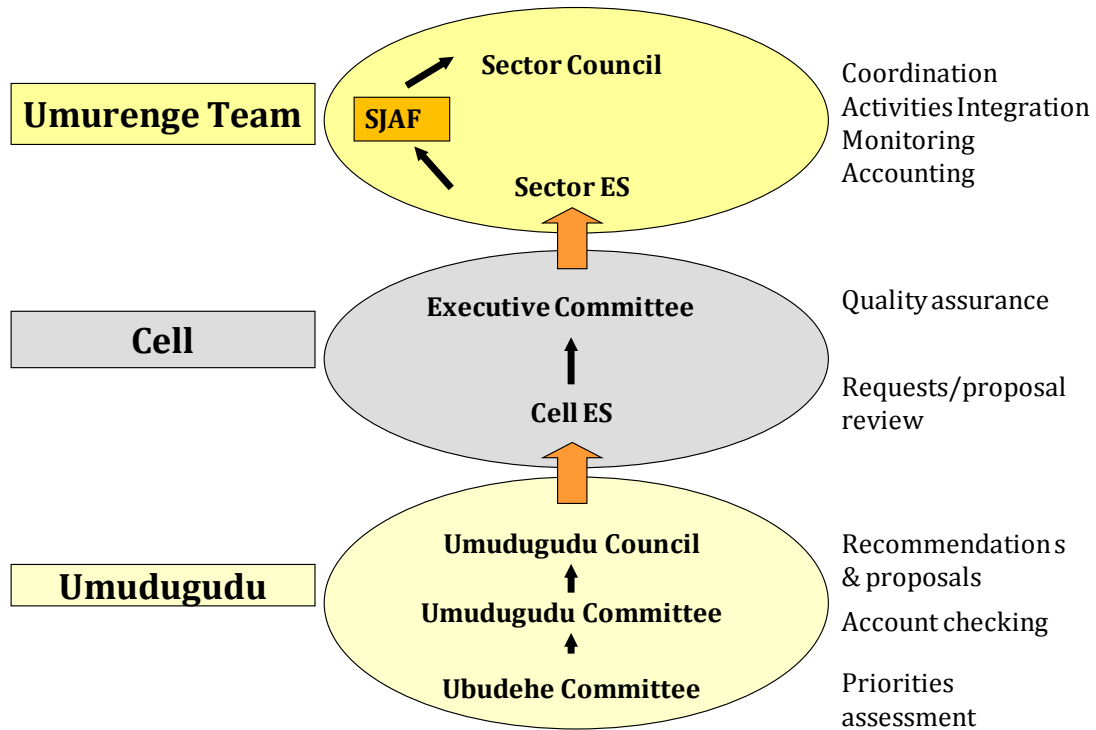
In order to make the Rapid Response Mechanism (RRM) operational, the Umurenge Team will select a troubleshooter whose function will be to remain in direct and frequent contact with the VUP Management Team in MINALOC. This troubleshooter will be assisted by the two Ubudehe Development Facilitators in each Umudugudu (i.e., $2 \times 36 = 72$).

As a function of the VUP Management Team, it is envisaged that the RRM will be transferred to Districts in the scale-up phase of the program.

BOTTOM-UP APPROACH

The VUP is designed to foster a bottom-up participatory approach (i.e. Principle # 2). It uses the existing structures (i.e. Principle # 3) to link local communities and committees to higher levels of government.

Exhibit 12: Bottom-up information flows



MANAGEMENT OPERATIONS

Management operations and matrix of responsibilities will be detailed in the [VUP Implementation Manual].

CONTINGENCY AND RISK MANAGEMENT

Contingency and risk management will become operational through the RRM as well as the VUP Insurance Scheme.

In addition, the VUP Management Team and/or SG MINALOC will remain in frequent contact with the focal points in sector ministries. The focal points are responsible for ensuring a constant flow of information to the SGs and Ministers of their respective ministries on progress and/or issue with VUP.

There is a need to institutionalize a detailed contingency and risk management possibly in the form of frequently asked questions (FAQ) or frequently incurred problems and adequate solutions. These may be endogenously built within the system but needs to be recorded for the purpose of institutional knowledge for

scale-up phase. This task will fall under the responsibilities of the program development and management officer/specialist.

There is also a need to institutionalize the VUP Insurance Scheme. This task will fall under the responsibilities of the finance and fiduciary management officer/specialist.

MONITORING & EVALUATION

There is a need to distinguish monitoring from evaluation as well as M&E of local outputs and outcomes for management purposes from M&E of the program for possible scaling-up (i.e. Principle # 4); the latter requires the use of quasi-controlled experimentation. The baseline survey needs to be conducted prior to the beginning of implementation.

There is a need to agree on the data requirements, the reporting format, the cooperation with NISR (and their staff dispatched in Imirenge), the link with Ubudehe data, and the scope of analyses (i.e., improve management/operations vs. solve issues arising vs. "academic" analysis). This task will fall under the responsibilities of the M&E officer/specialist.

BUILDING BLOCKS

After wide consultations with sector ministries,⁹ the Private Sector Federation (PSF), national and international NGOs, civil society, the forum of political parties, a number of building blocks for the [VUP Implementation Manual] were identified:

<u>Program building blocks</u>	<u>Lead responsibility</u>	<u>Deadline</u>
1. Audit land available and plans for land use (i.e. Forestry, cultivation, livestock, etc.)	MINITERE MINAGRI	
2. Audit public/private skills available and requests for skills development (link to productive opportunities)	MIFOTRA MINALOC	

⁹ So far, Ministers who have taken part in the consultation meetings and appointed a focal point for VUP are: MINALOC, MINECOFIN, MINICOM, MINAGRI, MIFOTRA, MINITERE, MININFRA, MINEDUC, MINISANTE and MINADEF.

<u>Program building blocks</u>	<u>Lead responsibility</u>	<u>Deadline</u>
3. Audit basic social services (with availability-access-quality-utilization criteria)	MINALOC & MINEDUC MINISANTE	
4. Audit activities of NGOs in Vision 2020 Imirenge (detailed lists to be provided by NGOs)	MINALOC	
5. Provide list of active association(s) or cooperative(s) in each Umudugudu , if any (...)	MINICOM & MINALOC	
6. Draw/validate lists of productive opportunities in District/Umurenge/ Umudugudu	MINICOM & MINAGRI	
7. Draw lists of agricultural products for productive specialization by areas	MINAGRI	
8. Draw lists of employment generating off-farm activities for productive specialization by areas	MINICOM & MIFOTRA	
9. Draw a list of public works projects to be studied (or projects if studies already done)	MINALOC	
10. Mobilize community to prioritize basic social interventions	MINALOC	
11. Mobilize community to focus on both social & productive interventions, with emphasis on releasing productive capacities	MINALOC & MINAGRI MINICOM	
12. Identify sites for socio-economic cluster village settlement (with/without residential areas)	MINITERE & MINALOC	
13. Select Umudugudu candidate for model Umudugudu in each Umurenge (possibly through contest?)	MINALOC	

<u>Program building blocks</u>	<u>Lead responsibility</u>	<u>Deadline</u>
14. Draw detailed list of criteria and standards for a model Umudugudu	ALL	
15. Assists Imirenge with Sector Development Plan (SDPs) and link to DDPs	MINALOC & MINECOFIN	
16. Agree on sequencing for service delivery in each Umudugudu aggregated at Umurenge	MINALOC & CORE	
17. Request proposals of credit packages corresponding to the opportunities identified in each Umudugudu	MINALOC & MINECOFIN	
18. Aggregate credit packages proposals at Umurenge level	MINALOC & MINECONFIN MINICOM MINAGRI	
19. Finalize costing of productive interventions and sourcing/procurement options	MINALOC & MINECOFIN	
20. Foster delivery of social interventions and enquire about current implementation progress by sector ministries	MINALOC & MINEDUC MINISANTE	
21. Definite effective execution of public works for VUP Implementation Manual	MINALOC & MININFRA	
22. Definite effective execution of credit packages for VUP Implementation Manual	MINECOFIN & MINAGRI MINICOM	
23. Definite effective execution of direct supports for VUP Implementation Manual	MINALOC & MINECOFIN	

<u>Program building blocks</u>	<u>Lead responsibility</u>	<u>Deadline</u>
24. Describe VUP Management Team operations (beyond ToR) for VUP Implementation Manual	MINALOC	
25. Describe Umurenge Team operations (beyond ToR) for VUP Implementation Manual	MINALOC	
26. Conduct baseline survey for M&E using quasi-controlled experimentation	MINALOC & MINECOFIN	
27. Develop credit packages with reputable microfinance institutions	MINECOFIN	
28. Prepare business plan for VUP Insurance Scheme	MINECOFIN	
29. Liaise with donors and NGOs and obtain feedback in this proposal	MINALOC & MINECOFIN	
30. Liaise with MINECOFIN (EFU) to mobilize resources and obtain commitment (while fostering alignment, etc. – Paris declaration)	MINALOC & MINECOFIN	
31. Finalize consultations with remaining stockholders	MINALOC	
32. Establish close collaboration of VUP with Private Sector Federation	MINALOC & MINICOM	

FINANCING & SCALABLE BUDGET

The VUP is the main program to implement the pro-poor growth strategy of the GoR, as described in the EDPRS. The scope and scale of the VUP is primarily constrained by the human capacities to implement such a wide-ranging high-impact program. Hence, the piloting start-up phase should put great emphasis on the feasibility of the VUP and the required capacity building to ensure an informed and orderly roll-out across the other 386 Imirenge in the country over a period of 3-5 years.

FINANCING MECHANISMS

Following principle # 3, the VUP seeks to use existing mechanisms. CDF is the existing mechanism for funding local development projects. In addition, the CDF staff has experience in managing multiple funds (e.g. Eco-Fund, PDL-HIMO, Ubudehe, etc.). Therefore, it seems natural to use the CDF as a funding mechanism for VUP.

The funding of VUP through CDF requires a comprehensive review regarding its governance structure, analytical capability, personnel, responsibilities, processes, disbursement modalities, etc. in order to ensure a smooth alignment and effective execution. This task will need to be pursued in collaboration with the VUP coordinator, program development and management officer/specialist and the finance and fiduciary management officer/specialist.

In particular, there is a need to take into account that VUP is evolving (i.e. starting with 30 Imirenge but eventually covering country). So the VUP finance and fiduciary management officer/specialist will be organically linked to CDF to avoid duplications.

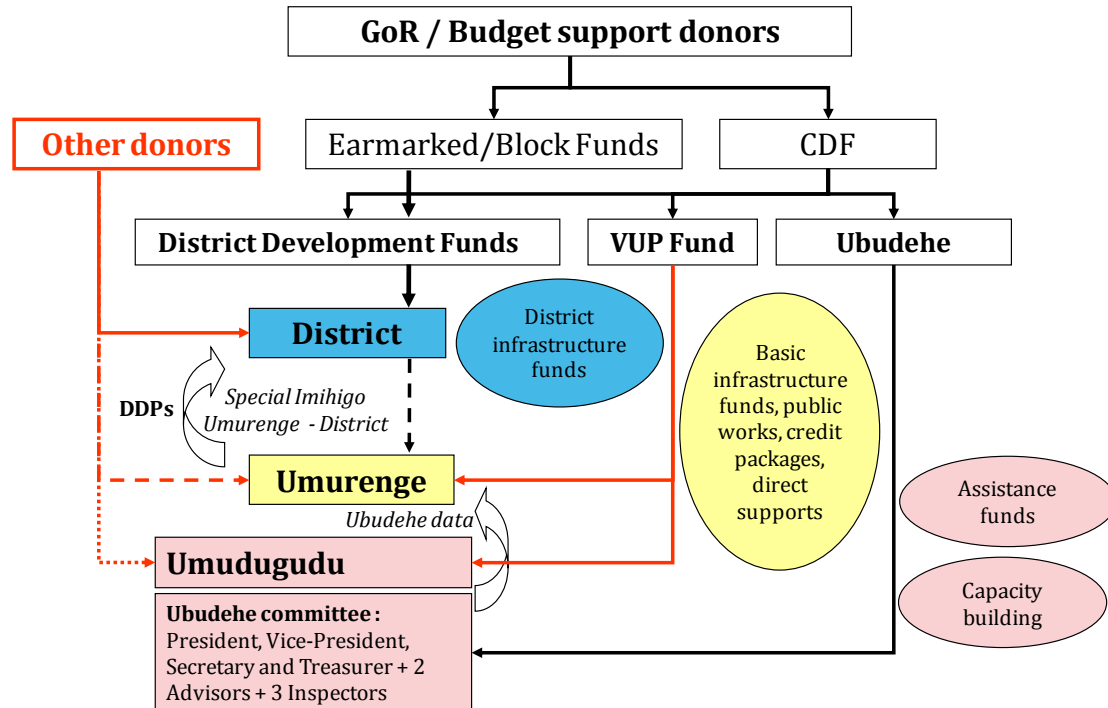
Eventually, when VUP covers the whole country, there will be a complete overlap between VUP and CDF and the merging, including PDL-HIMO, Ubudehe, etc., will become natural. This merging could be accelerated by lumping Ubudehe funds in the CDF pooled fund, earmarked for Ubudehe activities.

As summarized in the financial flow Exhibit 13, the funds transferred from the GoR via MINECOFIN to CDF will be *earmarked* for VUP. The fund pledged directly by donors and possibly other projects will also be channeled through CDF and *earmarked* for VUP.

Other funds (i.e. "others" in the financial flow Exhibit 13) which cannot be channeled through CDF can still be committed to the VUP Fund and/or directly finance social or productive activities within the pilot Imirenge. Although they are not the preferred option according to the GoR's Aid Policy, project supports/funds or direct commitments to local governments are welcomed under VUP.

The newly created SJAF will be the adequate forum to coordinate and align foreign aid from off-budget sources, including NGOs and other organizations operating specific projects in the relevant Imirenge (i.e. other donors). Synergies between their activities and the program components will need to be identified and exploited to the full benefit of local communities.

Exhibit 13: Financial flows



CDF is only a funding mechanism. Active coordination, activity integration and monitoring will be carried out at Umurenge level and implementation is done at Umudugudu level. Moreover, the VUP Management Team is responsible for allocating VUP earmarked funds. The Umurenge Team as well as the VUP Management Team and eventually the Steering Committee are responsible and accountable for the disbursement of VUP earmarked funds in CDF.

The VUP Fund under CDF seeks to allocate financial resources at grass-roots level (following the Ubudehe model) but managed, coordinated, integrated and monitored at Umurenge level.

SCALABLE BUDGET

Consistent with the assessment for achieving the Millennium Development Goals (MDGs) and the objectives of Rwanda Vision 2020, the VUP requires investments of \$72 per capita and per year. Starting with 30 Imirenge (out of 416 in the country), it initially targets a population of about 600,000 people (= 30/416 x 9 million population). Thus, the VUP requires \$44 million or RwF 24 billion per year. It is expected that 50% will be required for public works (i.e. salaries and material), 30% for credit packages, and 20% for direct supports.

The appeal of such program components is that up to 90% of the money goes directly in the pockets of the poor. In addition, the money going to credit packages is revolving; indeed, it is expected that at least 80% of that money can be re-used for further loans by reputable microfinance institutions capitalized through the first rounds of loan disbursements.

Table 5: Indicative costing of program components for pilot phase to end-2008

Program components	Key	in million USD	in billion RwF
Public works	50%	\$22m	RwF 12b
Credit packages	30%	\$13.2m	RwF 7.2b
Direct supports	20%	\$8.8m	RwF 4.8b
Total VUP Fund required	100%	\$44m	RwF 24b

RESOURCE MOBILIZATION EFFORTS REQUIRED

The program components are fully scalable upon successful completion of the pilot within about 18 months to end-2008. A realistic prospect shows a possible exponential expansion to other Imirenge within 3-5 years (see Exhibit 4).

As an indication, the following Table 6 shows the budget (i.e. total VUP Fund required) over the next 5 years, covering the EDPRS period 2008-12. It assumes that half the CDF funds committed by the GoR will be earmarked for VUP.

Table 6: Indicative medium-term costing and financing gap

in billion RwF	2008	2009	2010	2011	2012
CDF in National Budget 1/	23	26	30	34	38
GoR to VUP Fund 2/	11	13	15	17	19
Total VUP Fund required	24	32	42	56	74
Financing Gap	(13)	(19)	(27)	(39)	(55)

Financing Gap (in million USD)	(\$23m)	(\$35m)	(\$51m)	(\$74m)	(\$104m)
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1/ Legal entitlement of CDF is 10% of (previous year) domestic revenues

2/ Assumes that GoR's contribution to VUP Fund represents half of CDF funds

KEY RISKS AND MITIGATION STRATEGIES

The most anticipated risks are grouped into eight categories and are put in relation to risk mitigation strategies:

<u>Key risks</u>	<u>Risk mitigation strategies</u>
1. VUP is risky because it requires complex mechanisms to ensure coordination and implementation across sectors; new venture not yet tested:	VUP will appoint a coordinator of the highest possible calibre and conduct stringent recruitment processes to identify the best possible talents for the VUP Management Team; VUP will prepare a detailed VUP Implementation Manual that will address/pre-empt obstacles and provide solutions to tackle issues as they emerge.
2. VUP creates a risk of diverting attention and resources from existing programs and projects:	VUP will not affect existing programs and projects but focus on their integration if they are effective in accelerate poverty reduction; VUP will propose a close evaluation of existing programs and projects that work well and ensure the scaling up in coverage can be done with less additional funds (i.e. cost effective).
3. VUP has a risk of reliance on limited capacities (especially in scaling up phase):	VUP will take advantage of existing, on-going and new capacity building exercises in both DIP (in local governments) and Ubudehe (in grass-root communities).
4. VUP carries the risk of over-extension of government; first program of its kind that seeks to align almost all productive sectors and deliver the respective activities simultaneously:	VUP will rely on the private sector whenever the option/possibility exists; the private sector is believed to be essential for the long-term sustainability of all development efforts; VUP will use with private and registered micro-finance institutions to administer credit packages; VUP will promote the hiring of private contractors and entrepreneurs to fulfill the procurement requirements.

<u>Key risks</u>	<u>Risk mitigation strategies</u>
<p>5. VUP involves a risk of managing at the central government level thereby being too far from local governments and the people's needs:</p>	<p>VUP Management Team is initially in MINALOC but will be transferred to Districts during the scaling up phase;</p> <p>VUP Implementation Manual will be an essential tool to allow central government guidance for local government coordination and implementation without undermining local involvement and participation;</p> <p>VUP will manage the VUP Insurance Scheme centrally for obvious risk diversification purposes.</p>
<p>6. VUP carries a risk of unfavourable perception/disapproval by stakeholders and development partners, especially in the village settlement aspects:</p>	<p>VUP will abide by the commitment to make settlement voluntary only and build incentives in the implementation of program components;</p> <p>VUP will link settlement to socio-economic circumstances of Rwanda (as explained in model Umudugudu section of this document);</p> <p>VUP will build on successful experience in Rwanda, drawing on Kibungo and Kigali-city models;</p> <p>VUP will disclose data and information and conduct and implement a communication strategy to ensure all stakeholders understand the concept better so as to make informed judgements.</p>
<p>7. VUP creates a risk a resistance to change in trying to do business differently; this will cause some excitement and anxiety:</p>	<p>VUP will implement an adaptive change strategy (see instigate change section of this document) while at the same time using to the extent possible existing mechanisms and institutions.</p>
<p>8. VUP runs the risk a insufficient funds to make a difference:</p>	<p>VUP will be scalable (both upward and downward) but downward revisions especially in early stages will involve a failure to prove the possibility of accelerating poverty reduction in Rwanda and undermine the whole program.</p>

WAY FORWARD

It is envisaged to carry out the following task in the next few months in a view to be fully operational and start disbursements on the 1st January 2008.

The main tasks to prepare the VUP implementations are:

1. Finalize recruitment for VUP Management Team;
2. Develop/finalize Imirenge development plans (SDPs);
3. Prepare the VUP Implementation Manual (filling some of the details highlighted throughout this document and other implementation requirements);
4. Conduct surveys and gather evidence of likely success to achieve quick wins and keep momentum for scaling up;
5. Undertake the 32 building blocks listed in this documents;
6. Prepare the ground for longer-term commitments (especially in links with social protection and overall scaling up) and relevant studies and documentations;
7. Mobilize resources and obtain medium-term commitments to launch the start-up phase.

END

The VUP is well summarized by the following quote: *"It is about a commitment to help create conditions which can lead to a significant empowerment of those who at present have little control over the forces that condition their lives."*¹⁰

¹⁰ Quote taken form "Who Changes? Institutional Participation in Development," by James Blackburn & Jeremy Holland.