



## CASE OFFERING

Centring on **'GDP of the Poor'** to localise inclusive, green development



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*Cover: Adobestock*

*Above: Sunset over the Innovation Centre in Kigali, Rwanda. Photo: Adobestock/O'rule*

## Context

Rwanda has achieved phenomenal economic growth and social transformation over the past twenty years. However, there is further room for growth, as seen with Rwanda's ranking in the Human Development Index (HDI). The HDI assesses progress in three basic dimensions: a long and healthy life, access to knowledge and a decent standard of living<sup>1</sup>. Based on the HDI, Rwanda still places in the low human development category—a reflection of significant social and economic inequities. These inequities are most pronounced on a rural-urban basis and at district level.

Therefore, Rwanda's green and inclusive growth will best be achieved through localised approaches that strive to narrow inequalities, allowing millions of Rwandans to fulfil their potential. Importantly, localised growth also aligns with the country's decentralised governance model. Localising Rwanda's inclusive green growth requires:

1. Modelling to account for local ecosystems, using relevant frameworks such as 'GDP of the Poor'. This concept considers the dependence of rural livelihoods on natural resources and the use, degradation and conservation of these resources. It applies a more comprehensive view of community economics than traditional Gross Domestic Product (GDP) measures. In some markets, over 70 percent of financial flows are through these often-underreported ecosystem transactions
2. Developing enabling systems to foster local economic development, and
3. Strengthening local governance structures and personnel to effectively implement sustainable, inclusive local ecosystems.



Rwanda's current Vision 2050 centres on achieving prosperity and a high-quality life for all Rwandans, and to create the "Rwanda we want".

*Young Rwandan farmer carrying a basket of the day's yield.  
Photo: Adobestock/Courage*

<sup>1</sup> The Next Frontier: Human Development and the Anthropocene, UNDP, 2020

## Rwanda's socio-economic transformation

Rwanda has followed a path of socio-economic transformation over the past 20 years. In its pioneering Vision 2020, Rwanda set an agenda to achieve middle-income status through pro-poor transformation of the country from an agrarian to a knowledge-based economy while reducing dependency on aid. Vision 2020's implementation through Rwanda's Economic Development and Poverty Reduction I and II strategies, integrated with the Millennium Development Goals, focused on addressing pressing socio-economic challenges including hunger, access to basic healthcare and education.

Rwanda's current Vision 2050 centres on achieving prosperity and a high-quality life for all Rwandans, and to create the "Rwanda we want". Key national programmes include expanding access to education and healthcare through nine-year basic education and the Community Based Health Insurance (*Mutuelle de Santé*) programmes.

Beyond prioritising an inclusive policy agenda, the Government of Rwanda (GoR) has implemented public-sector led programmes to drive innovation and investment flows in the country. Initiatives

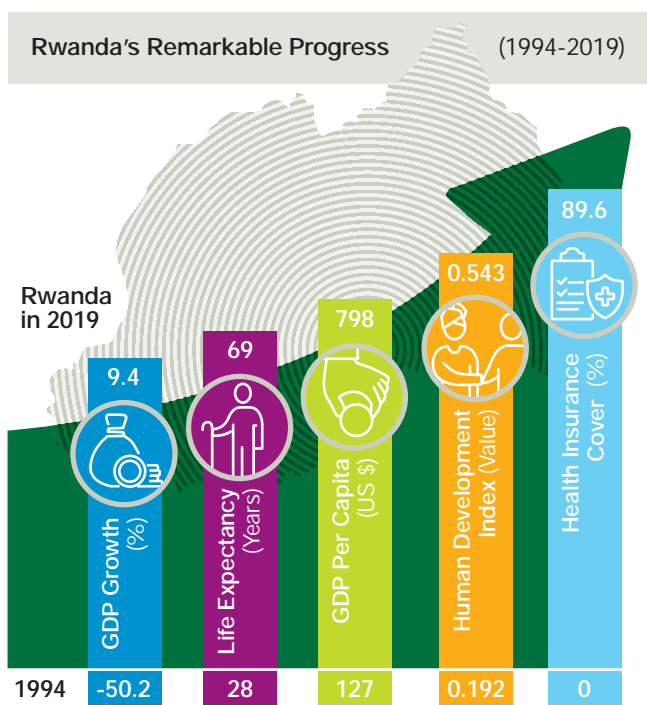
include public infrastructure programmes, commercialisation of key agricultural value chains, and the development of the country's tourism sector. The Kigali Innovation City builds public infrastructure to become Rwanda's technological hub, while the Kigali International Financial Centre seeks to position Rwanda as an international hub for investment.

**Through these policies and initiatives, Rwanda has made remarkable strides towards improving livelihoods.**

Rwanda is also emerging as a model for youth- and gender-inclusion in governance, with 70 percent of parliament composed of women, 21.25 percent of whom are under the age of 40.<sup>2</sup> Rwanda's non-agricultural sectors have grown significantly. Before COVID-19, the industry sector recorded double-digit growth of 17 percent due to increased activities in construction and manufacturing, supported by incentive policies such as the Made in Rwanda<sup>3</sup> and Special Economic Zone initiatives<sup>4,5</sup>. Similarly, the services sector grew by 8.2 percent driven by the growth of wholesale and retail trade services (+14 percent), transport (+15 percent), and professional services (+16 percent).<sup>6</sup>

**The GoR's decentralised governance structures and the support of development partners have been pivotal in the successful implementation of socio-economic policies.**

Through the Local Economic Development Strategy, the GoR monitors implementation activities towards the National Strategy for Transformation-1 (NST-1) at the district level via the *Imihigo* forum where districts formulate socio-economic goals and priorities and report their progress annually. Further, Rwanda's VUP *Umurenge* Social Protection Programme has been integral in localisation of socio-economic priorities and reaching the most vulnerable populations. Development partners such as the World Bank, UNDP and the SDG Centre for Africa also support the GoR in local development programmes. For example, the World Bank supported the Ministry of Local Governance in strengthening and scaling of the social protection programme that has now reached over 1 million beneficiaries, of whom 50 percent are women<sup>7</sup>. The UNDP has helped strengthen the ability of civil society organisations to promote accountable and responsive governance. The SDG Centre of Africa also supports the GoR in expediting implementation of the SDGs.



2 IPU, Global data on national parliaments, 2020

3 Government of Rwanda initiative designed to boost local industrial contribution to economic growth while promoting a brand of Rwandan locally made products on a global stage

4 A programme designed to address private-sector constraints by providing serviced land for small- and large-scale industrial development, quality infrastructure, competitive fiscal and non-fiscal regulations, and smooth administration procedures

5 MINECOFIN, Key Statistics on Rwanda, 2020

6 Ibid

7 The World Bank website

Despite the progress, pronounced economic inequalities persist in rural areas and at local level. Rwanda's HDI for 2019 was 0.543, on a scale of 0 to 1. However, when the value is discounted for inequality, the HDI falls to 0.387, a loss of 28.7 percent due to inequalities. Rural areas have higher rates of poverty and extreme poverty (43.1 percent and 18.1 percent) vs. urban areas (16 percent and 6 percent).<sup>8</sup> While real consumption for the country stood at US\$279 per capita in 2018, the poor population's real consumption was only \$86.<sup>9</sup> About 62 percent of Rwandans still do not have access to electricity, with only 27 percent of those in rural areas having access. Similarly, 95 percent of rural households use biomass (mostly wood) as the main source of energy compared to 68 percent of urban households that use charcoal or better sources of energy.<sup>10</sup> These pressing inequalities at the rural household level demonstrate a need for focused interventions to achieve Rwanda's goal of reaching transformation for all.

As Rwanda embraces the shift to greening the economy, there is a real risk that without a concerted localised angle, the resultant policies, initiatives and economic activities could perpetuate or even widen these gaps. Ensuring vulnerable groups are not left behind requires localised growth that is tailored to specific community dynamics, and importantly, the capacity to translate policy and initiatives into tangible results. Yet, capacity gaps at Rwanda's local levels exist. For one, the district development plans (DDPs) are still limited in providing strategic processes that engage stakeholders and local actors in identifying opportunities for collaboration and intervention.<sup>11</sup> Further, local monitoring and evaluation capabilities are limited, and as a result, local government plans (including DDPs and *Imihigo*) are sometimes compiled without a sound statistical base<sup>12</sup>.



*Implementation partners*

*Photo: Adobestock/Vic Josh*

8 NISR, Rwanda Household Survey, 2018

9 Ibid

10 Ibid

11 MINICOM, Rwanda Decentralisation Policy, 2018

12 Ibid

## The local inclusive development opportunity

The localisation of development is centred on defining an **integrated local value chain approach and prioritising community-informed modelling for inclusive and sustainable growth**. A Value Chain Development (VCD) approach to localising growth involves creating institutions and programmes that target tailored production, consumption, market structures and information. These chains not only enable the utilisation of local comparative advantages but also include actors traditionally ignored or neglected by national governments.<sup>13</sup>

Further, **community-centric modelling that considers local needs and resources is essential to keeping equity and sustainability at the forefront of development**. The “GDP of

the Poor” is such an alternative community model. In contrast to the conventional “consumption-driven growth”, it takes into consideration the benefits of ecosystem services to the poor, and thereby prioritises the conservation and protection of those resources. This would be particularly important for Rwanda, given that 80 percent of the population obtains their livelihoods from the ecosystem through agriculture. Integrating GDP of the Poor in community development would thus be a path to sustainable local development.



*Young men fishing on Lake Kivu, Rwanda.*

*Photo: Creative Commons/John & Mel Kots*

## Looking ahead

Three key actions should be taken to accelerate local inclusive development:

1. Appropriately model and account for local ecosystems through appropriate frameworks
2. Create enabling systems to foster local economic development, and
3. Strengthen local governance structures and personnel to effectively implement sustainable, inclusive local socio-economic development solutions.

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### Appropriately model and account for local ecosystems and the informal sector

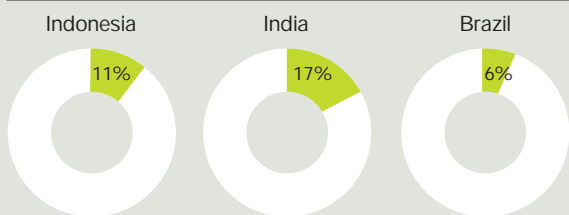
Decentralisation of socio-economic priorities and adoption of appropriate localised strategies begins with integrated modelling that fully captures local economic ecosystems—including the natural ecosystems on which they rely. Considering that ecosystem services (such as pollination, water filtration, and plant and animal biodiversity) make up 50-to-90 percent of the total source of livelihoods among poor rural households, it is crucial to design interventions that reflect this expanded view of economies.

The ‘GDP of the Poor’ provides a framework for doing so. Designed by the UN, it seeks to shift measurement from the traditional focus on economic growth to measures that are more cognisant of welfare. In countries where GDP of the Poor has been modelled, it has provided a better representation of how biodiversity contributes to the livelihoods of people vs. the conventional GDP, and therefore a stronger basis to strengthen conservation efforts. In India, the GDP of the Poor model found that biodiversity accounted for 47 percent of GDP. In contrast, biodiversity accounted for only 7 percent of GDP when using conventional modelling, which only considers the value of goods and services produced.

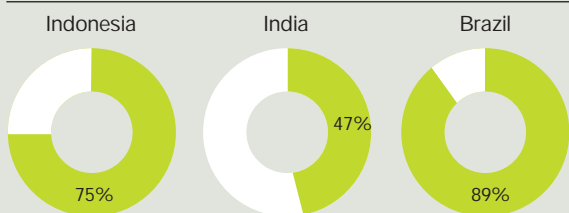
Capacitating local development actors to use frameworks such as the GDP of the Poor would create a path towards sustainable and green development. Therefore, UNDP Rwanda will provide local institutions with essential technical support and training to transition to the use of more comprehensive and realistic economic models.

**Figure 3:** Accounting for biodiversity in GDP of the Poor vs conventional GDP modelling

Share of agriculture, forestry and fisheries in classical GDP



Ecosystem services as a percentage of GDP for the poor



In addition, economic planning must appropriately account for the informal sector, given its large contribution to local development and the economy. This will require capacity building of the local and institutional development actors, aiding in data collection and modelling, and monitoring and evaluation.

#### Specific activities include:

1. Assessment of modelling tools and framework needs at local development levels
2. Research and data analysis for modelling of identified frameworks
3. Reporting and knowledge sharing of results

Sources: TEEB for National Policy, CIA World Fact Book, 2010

## 2 Create enabling systems to foster local economic development and collaboration

An enabling environment is needed to successfully implement socio-economic policies. To help create this environment, UNDP Rwanda will map funding opportunities for programmes, and support planning to integrate local producers into global value-chains and programmes. Support will also be provided to strengthen the local governance systems and their coordination with national government.

Local systems are usually detached from urban, national and global value chains. This calls for stronger integration links to maximise efficiency and benefits. At the community level, creating these linkages requires assessment of existing gaps to enable local producers and players to advance further along value chains. This would target cooperatives and local producers who have difficulty accessing good markets, logistical support and other essential services. Intervention programmes will be designed to close these gaps.

At the local policy and governance level, interventions will be needed to strengthen reporting and alignment with key national and global development agendas (e.g., Nationally Determined Contributions to the Paris Agreement, NST-1, SDGs). This will particularly impact planning and reporting for decentralised development programmes such as *Imihigo*. In addition, interventions will be needed to improve coordination among local development players to maximise efficiency and impact.

### Specific activities include:

1. Assessment of linkage gaps between local and national development agendas
2. Coordination of efforts to close gaps and increase cooperation between local and national development actors
3. Implementation of a linkage programme between local producers and markets, and other value chain actors

## 3 Strengthening local structures and personnel

Given a non-traditional growth path and the importance of local governance structures in implementing economic policy, targeted capacity-building efforts are critical for success. UNDP Rwanda will undertake a detailed assessment of key capacity gaps (hard and soft) at the local government level and the development and implementation of strategic interventions towards capacity building.

Existing gaps point to a strong need for streamlined implementation processes, data collection and reporting. Therefore, capacity interventions would emphasise the development of clear and transferable systems for implementation at all levels of local development, rather than a singular focus on conventional personnel training.

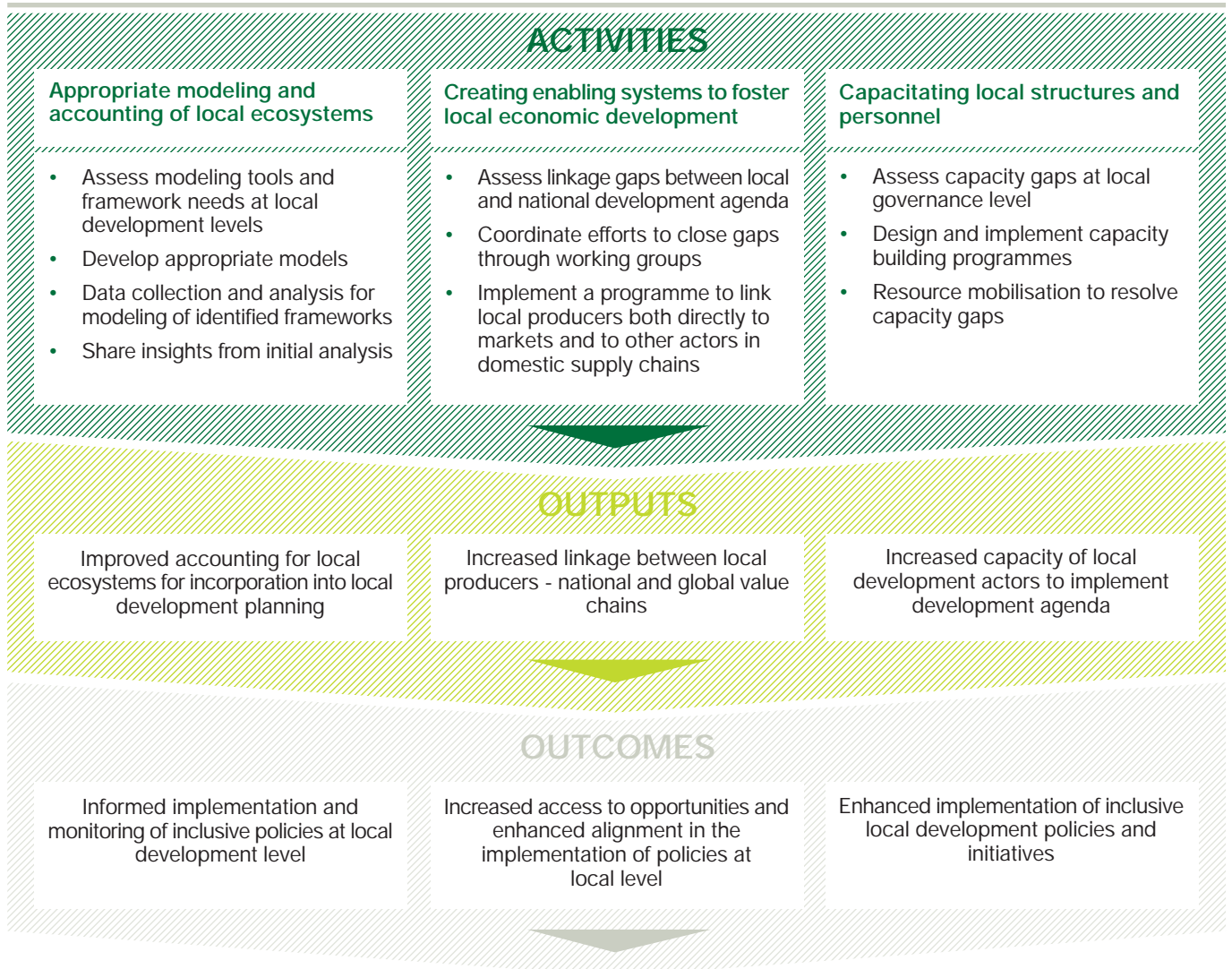
### Key activities include:

1. Capacity gap assessments at the local development level
2. Capacity-building programme design and implementation to fill gaps
3. Resource mobilisation to resolve capacity gaps



# Theory of Change

The suggested interventions will strengthen inclusive and green growth at the local development level, as summarised in this figure:



**Strengthened inclusive and green local development in Rwanda**

## Key implementation partners

Key actors have been identified across the various workstreams. As conversations are conducted, revisions will be made accordingly. The table below outlines an initial list of key partners.

Category	Key implementation partners
Government	<ul style="list-style-type: none"> <li>Rwanda Cooperative Agency</li> <li>Ministry of Local Government</li> <li>Local Administrative Entities Development Agency</li> <li>National Institute of Statistics of Rwanda</li> </ul>
Development Partners	<ul style="list-style-type: none"> <li>SDG Centre for Africa</li> </ul>



## Budget

Implementation of this programme is forecast to cost US\$1,500,000 million

ACTIVITY	REQUIRED RESOURCES (US\$)
<b>PHASE 1</b>	
Assessment of modelling tools and framework needs at local development levels	\$150,000
Research and data analysis for modelling of identified frameworks	\$200,000
Reporting and knowledge sharing of results	\$80,000
<b>PHASE 2</b>	
Assessment of linkage gaps between local and national development agendas	\$200,000
Coordination of efforts to close gaps and increase cooperation between local and national development actors	\$80,000
Implementing a linkage programme between local producers to markets and other value chain actors	\$200,000
<b>PHASE 3</b>	
Capacity-gap assessments at local development levels	\$200,000
Capacity- building programme design and implementation to fill gaps	\$250,000
Resource mobilisation to resolve capacity gaps	\$140,000
<b>TOTAL</b>	<b>\$1,500,000</b>



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