POLICY BRIEF

THE REPUBLIC OF UGANDA
Ministry of Gender, Labour and Social Development

better life chances for all
EXPANDING SOCIAL PROTECTION

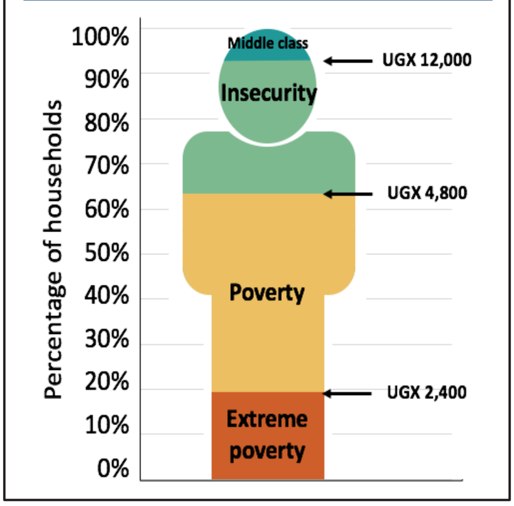
Social Protection: An essential investment for a successful and sustainable market economy

Social protection – in the form of regular and predictable cash transfers to citizens (often referred to as social security) – is an essential public service and a core component of a market economy. In developed countries, an average of 14% of GDP is invested in social protection, making it the highest area of public spending. Some developed countries have been investing in formal national social protection systems for over two centuries. However, the most significant expansion began after the Second World War as a means of building social cohesion across divided societies while underpinning the economic success enjoyed by developed countries. The majority of the investment has been in guaranteeing income security for the most vulnerable members of society, in particular the elderly, people with disabilities, children and widows, while also providing a safety net for those who face a crisis that impacts on their wellbeing (such as unemployment or ill-health).

A growing number of developing countries are investing significant proportions of national income in social protection, recognising the benefits it brings to their societies and economies: indeed, the level of investment in some – such as South Africa, Mauritius, Brazil and Georgia – is at more than 3% of GDP. With the support of DFID and Irish Aid, Uganda has been developing its tax-financed social security system since 2011 by building a pension for all older people, known as the Senior Citizens' Grant. However, investment in social security is still only 0.05% of GDP, well below the level at which it can make a significant difference.

A range of human rights conventions ratified by Uganda guarantee access for all citizens to social security. As Figure 1 indicates, around 20% of Ugandans live on less than UGX 2,400 per day while nearly 65% are below UGX 4,800. Furthermore, the low incomes experienced by the majority of Ugandans mean that they could fall into poverty at any time, if hit by a crisis. In fact, 45% of households living in poverty in 2013 had not been poor in 2011 while around 49% of households spent at least one year living in poverty in either 2011, 2012 or 2013. There are, therefore, strong arguments that the vast majority of the population would benefit from access to some minimum level of guaranteed income security from social protection.

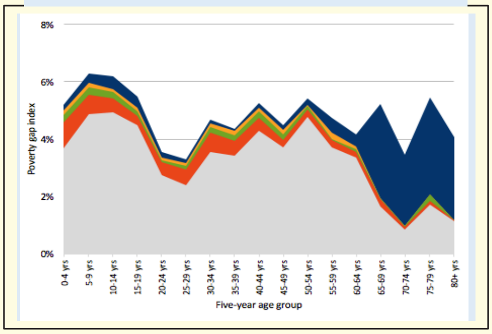
Figure 1: Economic classes in Uganda



An increase in social security investment could bring significant social, economic and political benefits to Uganda, enhancing the nation's social infrastructure. The provision of an old age pension for all citizens would ensure that every Ugandan lives their final years in dignity. Offering a child benefit would enable families to invest in their children, making significant inroads into the scourge of stunting that is holding back the cognitive development of so many of the nation's children, while also enabling families to keep their children in school. This will, in the long-term, significantly enhance the quality of the nation's workforce. Disability benefits would enable persons with disabilities to overcome the significant cost barriers they face in obtaining jobs, while also ensuring higher quality care for those that cannot work. Indeed, there is strong evidence from around the world that, once families receive a guaranteed regular and predictable cash transfer they feel more secure and more willing to invest in productive assets and income generating activities. Furthermore, old age pensions enable grandparents to care for their grandchildren, allowing mothers of young children to return to the labour market.

By investing in a system of inclusive social protection – that, over time, offers access to all citizens whenever they need it – the national social contract will be strengthened, social cohesion and political stability will be enhanced, and Uganda will become an increasingly attractive country to outside investors. Furthermore, by increasing the flow of cash into communities across Uganda, local markets will be stimulated, offering opportunities to entrepreneurs, both large and small. Indeed, a recent study by FAO across a number of African countries indicated that each dollar spent on social protection would generate between 30% and 150% of additional income in communities. At a national scale, this would be a significant stimulus to national economic growth.

Figure 2: Impact of lifecycle social protection system costing 1% of GDP on national poverty gap across age groups



As Uganda progresses, its social infrastructure must evolve to ensure that the benefits of progress and growth are shared with all citizens. Greater investment will create greater stability, increased prosperity, a more dynamic and competitive economy and ensure that every citizen is included in society and can reach their full potential. A comprehensive national social security system for Uganda may take up to 20 years to achieve, but it is important that the nation steps up its commitment urgently, given the challenges it faces. Even a level of investment of 1% in inclusive social protection for young children, older people and persons with disabilities would reach 54% of households and, as Figure 2 indicates, reduce the national poverty gap by 25%, a significant achievement, providing the platform for further investment which, ultimately, could transform the nation. So the big question is: can Uganda afford not to invest in inclusive social protection?

For More information, contact:
The Expanding Social Protection Programme
Plot 9 Lourdel Road, Nakasero, Kampala
P. O Box 28240, Kampala
Tel: 0414 534 201/2
E-mail: esp@socialprotection.go.ug
Website: www.socialprotection.go.ug

@ESPprogramme

facebook.com/Expanding-Social-Protection-Programme

UKaid from the British people

with support from
Irish Aid
Department of Foreign Affairs
An Roinn Gnóthaí Eachtracha

MAXWELL STAMP PLC

POLICY BRIEF