



Uganda Social Protection Financing Options Programme

For the Ministry of Gender Labour and Social
Development Expanding Social Protection
Programme

Final Report

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Submitted by



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2. Abbreviations

ALREP	Agricultural Livelihood Recovery Programme
BTTB	Background to the Budget
CDO	Community Development Officer
CfW	Cash for Work
DAC	Development Assistance Committee
DfID	Department for International Development
DIS	Direct Income Support
DP/DPs	Development Partner/s
EAMU	East African Monetary Union
EC	European Commission
ESP	Expanding Social Protection
FfW	Food for Work
FRA	Fiduciary Risk Assessment
FY	Financial Year
GDP	Gross Domestic Product
GOU	Government of Uganda
HIPC	Highly indebted Poor Countries
IFMS	Integrated Financial Management System
ILO	International Labour Organization
IMF	International Monetary Fund
KALIP	Karamoja Livelihood Programme
KIDDP	Karamoja Integrated Disarmament and Development Programme
LEARN	Livelihoods and Economic Recovery in Northern Areas
LG	Local Government
MDAs	Ministries Departments and Agencies
MDGs	Millennium Development Goals
MGLSD	Ministry of Gender Labour and Social Development
MLG	Ministry of Local Government
MoFPED	Ministry of Finance Planning and Economic Development
MSP	Maxwell Stamp PLC
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NGOs	Non-Governmental Organizations
NPA	National Planning Authority
NSSF	National Social Security Fund
NTR	Non Tax Revenue
NUREP	Northern Uganda Recovery Programme
NUSAF	Northern Uganda Social Action Fund
OBT	Output Budgeting Tool
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PPP	Public Private Partnership

PRDP	Peace, Recovery, and Development Plan
RALNUC	Restoration of Agricultural Livelihoods in Northern Uganda
RGP	Revenue Growth Projection
SAGE	Social Assistance Grant for Empowerment
SCG	Senior Citizens Grant
SPPER	Social Protection Public Expenditure Review
UBOS	Uganda Bureau of Statistics
UNHS	Uganda National Household Survey
UNRA	Uganda National Roads Authority
UPE	Universal Primary Education
URA	Uganda Revenue Authority
USD	United States Dollar
VAT	Value Added Tax
VFG	Vulnerable Families Grant
VfW	Vouchers for Work

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Executive Summary

Introduction and Background

Social protection is globally recognized as a critical component of national development strategies and key to achieving inclusive pro poor, equitable development. To realize Uganda's social protection goals the Ministry of Gender, Labour and Social Development (MGLSD) in partnership with the Department for International Development (DFID), Irish AID and UNICEF, is implementing the Expanding Social Protection (ESP) programme. In furtherance of these goals, this study has been commissioned to develop comprehensive options for medium and long term sources of financing and financing mechanisms for the Senior Citizen' Grant (SCG) programme. The study also incorporates a brief comment on the coordination and financing of Public Works programmes.

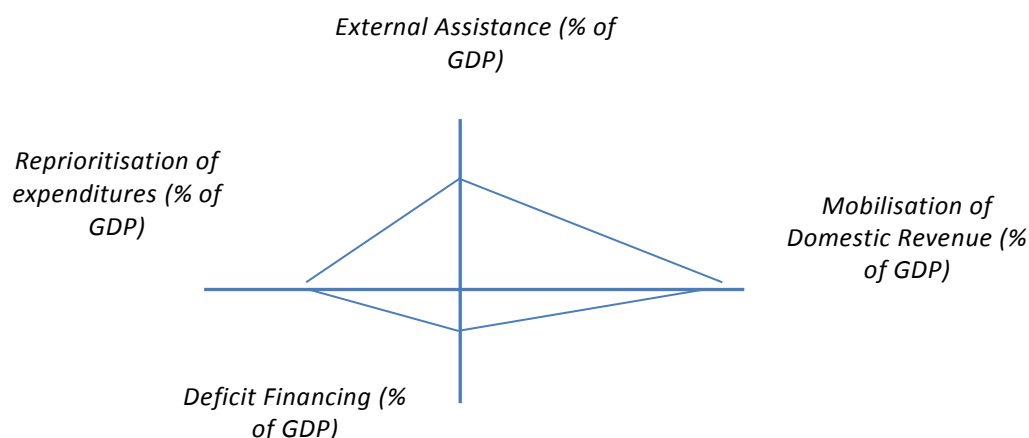
Methodology and approach

In addition to a review of social protection financing literature and many documents relating specifically to social protection financing in other sub Saharan African countries, the authors consulted a range of Uganda data sources. Macroeconomic and budgetary data is derived from MoFPED figures in budgetary documents and the Medium Term Expenditure Framework (MTEF). Data from IMF reports has been used, but only where MoFPED has confirmed their suitability for purpose. Although data has been derived with careful reference to agreed MoFPED data, the study has always selected more prudent (and thus less optimistic) revenue projections.

Principles and Practice of Social Protection Financing

Financing of social protection begins with a whole-of-government analysis of fiscal space, which is best illustrated by the fiscal diamond at Figure 1 below where all measurements are as % of GDP. Fiscal space, the area under the diamond, can be expanded by moving any point of the diamond outwards.

Figure 1: Fiscal Diamond



Source: WB/IMF Development Committee Interim Report, 2006 (and UNDP)

Social protection expenditures are recurrent in nature, and once begun cannot easily be withdrawn without political consequences. The possibilities for financing social protection then are these. The first choice is always mobilisation of domestic revenues especially tax revenues. There is scope for financing social protection with external aid when the need is short-term or where the aid commitment is long-term. Reprioritisation of expenditures may create space for social protection but it is likely to be politically difficult.

The generation of fiscal space does not automatically benefit any particular area of spending; it can be contested by all proposals. Consequently, social protection initiatives require strong

political backing and sound justification. There are a number of potential political drivers of social protection initiatives beside moral justifications. They include the quest for political stability, and the electoral popularity of cash transfers and social pensions.

Politicians often ask if social protection is affordable, but “affordability” is not a particularly helpful concept. It is a matter of judgement and country context. In the final analysis the affordability of social protection initiatives is a matter of political prioritisation. However, it is often considered by examining expenditures as a percentage of GDP or of total government expenditures.

Allied to affordability is the concept of cost effectiveness. Cost effectiveness of social protection initiatives must be constantly monitored to ensure ongoing value for money, and a common approach to achieving value for money in social transfers is targeting. Targeting can focus social protection interventions on the poor and vulnerable. However, although targeting seems to ensure value for money in any system of social transfers it is not without drawbacks. The first of these is the cost of developing and maintaining a database; a second is that the more precise the targeting formula, the less well it is understood at community level and the more chance exists for the system to be perceived as unfair, or to facilitate corruption.

Financial modalities and mechanisms are intricately tied to institutional arrangements. The main criteria for selection of financial modalities include the maximisation of managerial efficiencies and the minimisation of fiduciary risk, whether through error or fraud.

Social Protection Financing in Sub-Saharan Africa

The literature review has pursued lines of enquiry in neighbouring countries (Rwanda, Kenya, and Ethiopia) as well as Lesotho and South Africa, designed to inform Ugandan decision makers. The countries reviewed were limited in number and information was obtained from secondary literature. Amongst these Uganda is clearly in the lower income category, with only Ethiopia having a lower GDP per capita. The countries also have varying revenue structures and differing levels of revenue (measured as a percentage of GDP). In addition to the differences which can be portrayed numerically, the countries differ in their histories and have diverse political and cultural environments.

A number of lessons came out of the literature review.

- Country context matters and there is no standard approach
- Social transfer programmes are feasible in LICs
- Social protection interventions can be developed in a variety of political environments.
- The quest for political stability has been a major motivator of social protection programmes
- Social protection initiatives can confer electoral advantage
- Social protection programmes in Africa do not follow standard models, but present great variety in types and levels of intervention
- Many types of targeting are used in African social protection systems.
- Levels of benefit vary significantly.
- Often the schemes that exist have been introduced gradually.
- In some countries (Kenya) social protection is enacted at a high level.
- Countries with lower income levels are more highly reliant on donor funding with its attendant drawbacks

In a recent paper Miguel Niño-Zarazúa and his colleagues (Niño-Zarazúa, Miguel, et al, 2010) have identified what they term the Southern Africa and Middle Africa models of social protection. The team explored this concept but found it unhelpful. The authors have identified two different arrangements of social protection, but further analysis is required to draw useful

conclusions. The typology used suggests a geographical causality, or at best a geographical link, but there is none. It is also not helpful to refer to the Middle Africa arrangement as a "model". As well as implying some kind of ideal, the word "model" implies a modeller, and the fragmentation of social transfers seen in Middle Africa has arisen because of the absence of any such modeller. The outcome in Middle Africa, which "lacks the coherence of the Southern Africa model", is better described as a muddle than a model, and that largely because of the multiplicity of actors and the influence of individual donor projects.

Social Protection Financing in Uganda

Before 2010 direct income support in Uganda was focused heavily on conflict affected and agriculturally marginal areas in the north of the country. In June 2010, Cabinet approved the establishment of the Expanding Social Protection (ESP) programme to establish a coherent policy and fiscal framework for wider social protection in Uganda. ESP was also charged to develop a pilot cash transfer programme - Social Assistance Grants for Empowerment (SAGE). SAGE has been financed by DfID and Irish Aid who have also provided funds for the establishment of ESP, the development of policy and the payment of the transfers themselves during the pilot phase. SAGE transfers for both programmes are paid through the MTN Mobile Money system. In November 2012 there were significant changes in the payment modality for operational expenses in response to fiduciary risk concerns, and today all payments are managed by a sub-contracted agency.

MGLSD now seeks authorisation and funding to roll out the SCG to the remaining 98 districts and to introduce other secure and permanent benefits for vulnerable Ugandans as resources allow. This study seeks to further this objective.

Macroeconomic position and prospects

Our examination of financing options for the rollout of the SCG and financing of other forms of direct income support, adopts a two-step approach: first to assess the likely availability of fiscal space in future years; and second to calculate the expected costs to GoU of the SCG itself.

Uganda's economy has been growing strongly over the last 7 years. Projections show that after a lull through 2013/14, growth is expected to resume at 7% per annum. This is credible. Uganda has a well-earned reputation for sound macroeconomic management and the elements of macroeconomic stability remain in place. There are many positives in the macroeconomic outlook. The picture is also coloured by the political environment, including: an emphasis in the NDP on economic growth and wealth creation; political commitments to the expansion of social protection in key documents including NDP and political manifestos; the sense of optimism and confidence springing from the prospect of oil revenues; and demographic factors, with 51% of the population under 15. Finally, an important political dimension is the changing relationship of GoU with the donor community as donor attitudes change and aid requirements fall.

Economic growth in Uganda has been reflected in growing government revenues. However, the ratio of tax to GDP has remained obstinately rangebound between 11.7% and 12.7% of GDP. The low Tax/GDP ratio is a major concern of MoFPED and URA, and government is undertaking a number of measures to rectify this. Consequently, the MTEF 2012/13-2016/17 anticipates a steady increase in tax revenues. Non-tax revenues (NTR) are relatively small, and remain between 0.5% and 0.7% of GDP.

Oil has not yet begun to flow, and the stream of oil revenues remains uncertain, but there is already a lot of interest in how they will be spent. There is a widespread view that oil revenues should support the infrastructure drive of the NDP. Other commentators have argued for the expansion of social spending, including direct income support.

Income from grants has fallen from 5.4% of GDP in 2005/06 to only 2.3% of GDP in 2011/12.

There are reasons to expect that the decline will continue, and the current MTEF reflects this expectation.

Projections

Based upon the macroeconomic analysis we have developed three Revenue Growth Projections (RGPs) with the middle one – our standard RGP – being deliberately conservative. The standard RGP assumes:

- Nominal GDP increases in line with current projections till 2015/16 and thereafter at 13% being 7% growth and 5.6% inflation
- Tax revenue increases in line with MTEF till 2016/17 and after that the Tax/GDP ratio increases at 0.3% (less than the target of 0.5%)
- Tax/GDP ratio plateaus at 15% of GDP in 2018/19
- No oil revenue is included
- Nominal budget support will follow the MTEF, but no budget support is anticipated for 2012/13; budget support is expected at 25% of MTEF projection in 2013/14; and at 50% of MTEF projection in 2014/15. 2015/16 and 2016/17 are projected in line with the MTEF, after which there is a 5% nominal reduction each year.
- Project support is projected to follow the MTEF until 2016/17, and thereafter there is a 5% nominal reduction each year.

Based upon discussions, we have assumed that grants for the SAGE programme will continue at present levels until 2019/20 (critically dependent upon GoU financial commitment) and then phase out over four years reducing by 20% in each year. This section sets out the costs of rolling out the Senior Citizens Grant for both Short and Long Rollouts and derives a net cost after adding 10% for overhead costs and deducting projected grant income.

Two distinct rollout periods are presented. The first is the Short Rollout which is fully rolled out by 2018/19 (four years from 2015/16). The second is the Long Rollout which is not fully rolled out until 2020/21 (six years from 2015/16). Both rollouts use common assumptions: population growth rate at 3.5% per annum for next 10 years; 65+ population grows at the same rate; and the first significant additional tranche of beneficiaries is in 2015/16.

Figure 2: Financial Implications of SCG Rollout with Different Revenue Growth Projections

	Standard RGP	High RGP	Low RGP
% GDP in 2020/21	0.4%	0.4%	0.44%
% of Recurrent Expenditure	3.67%	3.10%	4.27%
% of Total Government Expenditure	2.04%	1.72%	2.37%
Maximum % of Revenue increase taken during rollout period	Short: 6.88% Long: 5.45%	Short: 5.94% Long: 4.04%	Short: 10.24% Long: 7.44%

The key percentages for the standard revenue projection can be displayed graphically:

Figure 3: Short and long rollout as % of Total Government Expenditure (TGE)

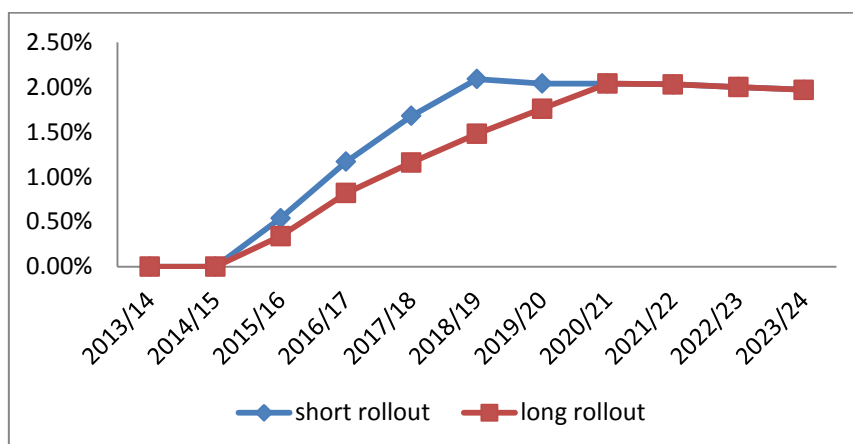
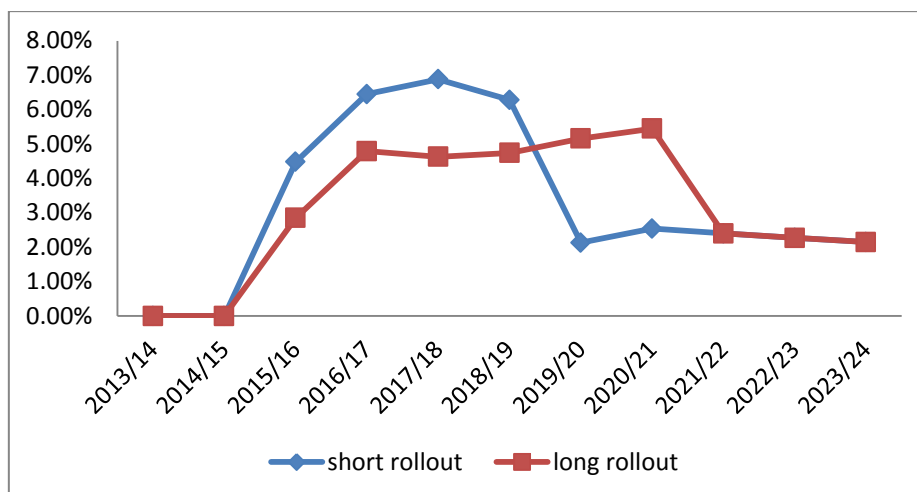


Figure 4: Short and long rollout as % of projected annual increase in revenue



The relationship of SCG costs to available revenue and indeed revenue increases, suggests that expansion is affordable. However, costs can still be adjusted by changing eligibility qualifications, changing levels of benefit, slowing the rate of introduction or adopting some form of targeting.

Financial modalities

The current ESP financial modality is relatively uncomplicated since there are only two donors and government has so far only provided resources in kind¹. From November 2012 the modality in operation was changed to minimise the use of government systems and to eliminate the use of government bank accounts. A financial modality more suited to joint funding will be required from July 2015. There are a number of possible joint funding modalities for the payment of transfers from 2015/16, but whatever transfer modality is selected, GoU funds should first be applied to meet the operational costs of the programme, excluding Technical Assistance. A

¹ Under the existing Memorandum of Understanding, GoU is required to make certain financial contributions but these payments have not yet been made. A key conditionality requested by DPs is that government should commit to financial support of the programme and meet its commitments in a timely manner.

second possibility is sector budget support running through MGLSD, but this is unlikely to be acceptable to donors. A third possibility would require the establishment of a dedicated agency. Capacity limitations as well as fiduciary risk concerns, particularly on the part of the donors, will require Technical Assistance support in general programme oversight and financial management for the foreseeable future.

There is a discussion within Uganda concerning the role of local government in the disbursement of social transfers including the SCG. They must clearly play an important role, but it should not extend to management of transfer funds. Also, local governments do not have the resources to finance social protection initiatives themselves.

Public Works Programmes

The programmes use a variety of financing arrangements according to donor preferences. The Overview by McCord (McCord, 2012) confirmed the common view that Public Works Programmes in Uganda are poorly coordinated, and it is not easy to see how they might be managed within a sector setting. Nonetheless, it will clearly be to the advantage of government if public works activities have reliable financing going forward, and robust financial management mechanisms. McCord (2012) recommends a basket funding approach to financing livelihoods programming on the basis of a multi-donor medium-term financing commitment (as has been developed in Ethiopia for the PSNP) in order to increase programme efficiencies, promote programme harmonisation and reduce transaction costs for the Government of Uganda. This recommendation remains valid.

Findings

This study has explored financing options and financing modalities for the expansion of the SCG in Uganda. Key findings are as follows:

1. If government chooses, social pensions can be rolled out in Uganda to every senior citizen (65+) without re-prioritising existing spending. Using our cautious Standard Revenue Growth Projection the rollout would take a maximum of 7% of the *revenue increase* from one year to the next. After full rollout in 2018/19 it would consume just over 2% of government expenditures, or 3.76% of recurrent expenditures.
2. Social pensions and other transfers are increasingly common in sub-Saharan Africa, often supported by government funding. Generally, the lower the income of the country, the more it is reliant on donor support.
3. Cost-effective financing of social transfers, including public works, requires strong government leadership and effective coordination of social protection initiatives.
4. A system of predictable and permanent social transfers requires a long-term, predictable and permanent funding source if it is to be fiscally sustainable
5. Social protection in Uganda currently receives a very low share of government funding, with the exception of the provision of public sector pensions
6. Strong economic growth, oil revenues, and improvements in tax effort and administration are expected to generate significant increases in government revenues in the coming decade. Grants are expected to decline over the same period. However, using a cautious set of assumptions and discounting oil revenues altogether, total revenues are still projected to rise significantly.
7. Key donors show continuing interest in supporting social pensions in Uganda, but with the proviso that government should also show a strong financial commitment
8. There are several options for financial modalities but in the medium term budget support and sector budget support pose unacceptable fiduciary risks for donors. A dedicated agency operating a joint fund would be a highly manageable arrangement.
9. Public works are almost exclusively externally financed, and with the exception of NUSAF 2, through small donor projects. Attempts to overcome this fragmentation through a

coordination process have achieved only limited gains, and cost effectiveness has been compromised. Improved coordination of public works initiatives is a key requirement for effective financing.

Next Steps

The purpose of this report has been to explore options and present information and possibilities. It is not possible, nor would it be correct, for this consultancy to give an "up or down" answer or recommendation on the rollout of the Senior Citizens Grant. This is for two reasons. First the purpose of this study has been, from the outset to provide information to assist decision-makers and especially information on costs of the SCG. This has been done thoroughly. Secondly, the decision on whether or not to roll out the SCG, and if so, over what time period, cannot be made by a team of consultants. It involves assessments and prioritisations which only the Government of Uganda can make. Is the SCG more important than building a road from A to B? Is it more of a priority than expanding teacher training, or technical training? Is it more or less important than other social protection interventions? These are difficult decisions and they are decisions for government. Third, key recommendations in the area of Social Protection have already been made in the Public Expenditure Review (ESP, 2012) and in other papers (e.g. McCord, 2012). However, we propose the following next steps:

1. As soon as possible a process and a timeline should be agreed between MoFPED, MLGSD and donors for making key decisions on SCG financing and related activities such as the proposed impact assessment, long-term institutional arrangements etc.
2. GoU and donors should remain mindful that SCG is one intervention only. For correct decisions to be taken it must be situated within the context of a strategic framework of social protection interventions. It is therefore imperative to finalise the Social Protection Policy and develop a medium term plan for expansion of social protection that demonstrates the position of SCG within it.
3. Develop a comprehensive fiscal framework for social transfers aligned with the vision in policy framework as proposed in the Work Plan of ESP.
4. GoU to demonstrate its commitment to the existing programme by making the financial contributions listed in the MOU.
5. GoU to explore the possibility of a dedicated agency to manage a Social Transfers Fund.
6. Whatever model is adopted for social protection and social transfers, steps must be taken to reduce fiduciary risk and strengthen controls. Financial management and disbursement systems should be centralised, with strategic deployment of dedicated staff throughout the country to support local disbursement.
7. It is important for all stakeholders not to be too ambitious, Uganda has been growing fast, but is still a Low Income Country
8. Revisit the recommendations of the Public Expenditure Review, in particular recommendations on:
 - a. improving operational efficiency in social protection,
 - b. clarity within government about its objectives for the social protection subsector,
 - c. consolidation of programmes and joint funding of activities, and
 - d. consideration of appropriate institutional arrangements
9. Revisit and discuss the recommendations of the Scoping Study on Public Works Programmes (McCord, 2012) in particular where they relate to coordination of public works and proposals for a joint funding mechanism, drawing where possible from the Ethiopian Productive Safety Nets Programme.

1 Introduction and Background

Social protection is globally recognized as a critical component of national development strategies and key to achieving inclusive pro poor, equitable development. The 2010-2015 National Development Plan (NDP) articulates Uganda’s ambition of becoming a middle income country by 2017. To support this vision, the NDP acknowledges a key role for Social Protection. The plan outlines clear objectives for expanding social protection to reduce vulnerability and enhance productivity of the human resource, including formulation of a social protection policy and the expansion of direct income support programmes to vulnerable groups.

To realize social protection goals the Ministry of Gender, Labour and Social Development (MGLSD) in partnership with the Department for International Development (DFID), Irish AID and UNICEF, is implementing the Expanding Social Protection (ESP) programme. ESP seeks to embed a national social protection system, including direct income support for the poorest and most vulnerable, as a core element of Uganda’s national planning and budgeting processes. The ESP programme includes **policy support** and the implementation of a **cash transfer pilot** (Social Assistance Grants for Empowerment – SAGE) in 14 districts of Uganda².

In furtherance of these goals, this study has been commissioned to assess and identify options for financing mechanisms and financing sources for the expansion of Social Protection, but in particular the Senior Citizens’ Grant, from both GoU and development partners, over the short (1-5 years), medium (5-10 years) and longer (10+ years) term. It is driven by MGLSD’s strong belief that the expansion of Social Protection and especially social pensions is both affordable and essential, and in the knowledge that in coming years the growth in GDP, and by extension government revenues, is expected to create fiscal space for financing social protection.

In addition to the direct income support initiatives of ESP, there are a number of Public Works programmes which provide cash-for-work or food-for-work. The primary aim of some of these programmes is to provide income support for poor and vulnerable families (as opposed to the creation of productive assets) and they are also considered as part of a social protection programme. The Social Protection Public Expenditure Review (SPPER) of 2012 and other diagnostics (e.g. McCord, 2012) have identified the principal initiatives in this area.

² Apac, Kaberamaido, Katakwi, Kiboga, Kyenjojo, Moroto, Nakapiripirit, Nebbi, Amudat, Kyegegwa, Kyankwanzi, Zombo, Napak and Kole.

2 Objective of the Study and Report Outline

The objective of this study is to develop comprehensive options for medium and long term sources of financing and financing mechanisms for the Senior Citizens' Grant (SCG) programme. Several Direct Income Support (DIS) programmes are being piloted or planned in ESP including the SCG, Vulnerable Families Grants, Disability Grants and grants for Orphans and Vulnerable Children (OVC). However, the primary focus is on the SCG and its rollout and it is the focus of this report. The study will also review the context of Public Works grants to explore the sustainability of their financing, future financing options and the nature of the financing modalities. The study will address other strands of social protection where they form essential background or impact upon the financing or financial modalities of the DIS programmes indicated.

Social protection in Uganda consists of four strands. These are social transfers or direct income support, including public works activities such as cash-for-work (CfW), voucher-for-work (VfW), or food-for-work (FfW) or transfers in-kind such as food aid; social insurance including government spending on pensions; social care services and complimentary services to support the demand side of service delivery such as school feeding programmes. This study is limited to the first of these - financing options and financial modalities for direct income support (DIS) including public works activities.

The report is structured as follows: Section 3 below outlines the methodology adopted for the different components of the report; Sections 4 and 5 are drawn from a Literature Review and set out key issues from the principles and practice of social protection financing, levels, methods and modalities of financing in other sub-Saharan African countries, and some of the emerging themes which may assist decision-makers in Uganda; Section 6 reviews the background of social protection and direct income support in Uganda with a particular focus on the programmes of ESP; section 7 looks in detail at the macro-economy of Uganda; Section 8 develops three Revenue Growth Projections including grants, and considers the financing options of SCG rollout in this context; and likely financial modalities and mechanisms for the rollout of the SCG. Section 9 reviews financing options and modalities for public works interventions. Section 10 presents findings and next steps.

3 Methodology and approach

The report reviews financing options and financing mechanisms. We consider **financing options** to include sources of funds (taxation and nontax revenues, other domestic revenues, grants including budget support, and loans including concessionary loans); levels of financing for different interventions in relation to GDP, to total government expenditure, and in relation to one another; the extent to which any source of funds is earmarked for social protection; and ways in which costs of different interventions are adjusted to enable them to fit within an available envelope. These last include adjusting levels of support, targeting (by any one of several methods), gradual introduction of new initiatives over time, and in the case of social pensions, adjusting criteria for qualification such as age or gender.

Under the heading of **financial mechanisms** we include aid modalities where grants or concessionary loans are used (general budget support, sector budget support, project support, basket funds etc.); institutional arrangements for social transfers in so far as they impinge upon financial management; and disbursement mechanisms, including the extent to which they are centralised or decentralised.

In addition to a review of social protection financing literature and many documents relating specifically to social protection financing in other sub-Saharan African countries, the authors consulted a range of Uganda data sources. These included policy and other government documents, government budget data, and donor programme documents. Documentary evidence was supplemented with qualitative, semi-structured interviews with stakeholders principally at national level. Social protection in Uganda is characterised by a high degree of fragmentation and off-budget expenditure, and as a result there were several challenges and limitations with the data relating to social protection expenditures, in particular the availability of detailed data for all programmes and consistency across sources.

The methodologies adopted differ for each component of the report. Sections 4 and 5 of the Report present the findings of a Literature Review, which is entirely generated from secondary literature selected with a view to presenting sub-Saharan African Social Protection experiences relevant to Uganda. The review of direct income support initiatives in Uganda presented in section 6 is based upon available literature including the 2012 SPPER as well as interviews with key informants.

Macroeconomic and budgetary data is derived from MoFPED figures in budgetary documents and the Medium Term Expenditure Framework (MTEF) and data from IMF reports but only where MoFPED has confirmed their suitability for purpose. Based on the data derived from these official documents as well as informed views on potential oil revenues and interviews with key informants, three revenue growth scenarios have been developed – standard, high growth (optimistic) and low growth (pessimistic). Costings have been developed for the SCG (using two different rollout periods – short rollout and long rollout) applying a set of assumptions outlined in the text. The implications for the national budget are analysed and the sensitivity of the results to changes in some variables is indicated.

Although data has been derived with careful reference to agreed MoFPED data, the study has always selected more prudent (and thus less optimistic) revenue projections. In some cases, specific revenue projections are lower than the MTEF, and the conclusions drawn are based upon these conservative estimates.

Finally, the financial projections of the study are limited to the costs of the SCG. They do not represent the costs of a full social protection programme which may include grants for orphans and vulnerable children (OVC), disability grants or Public Works programmes.

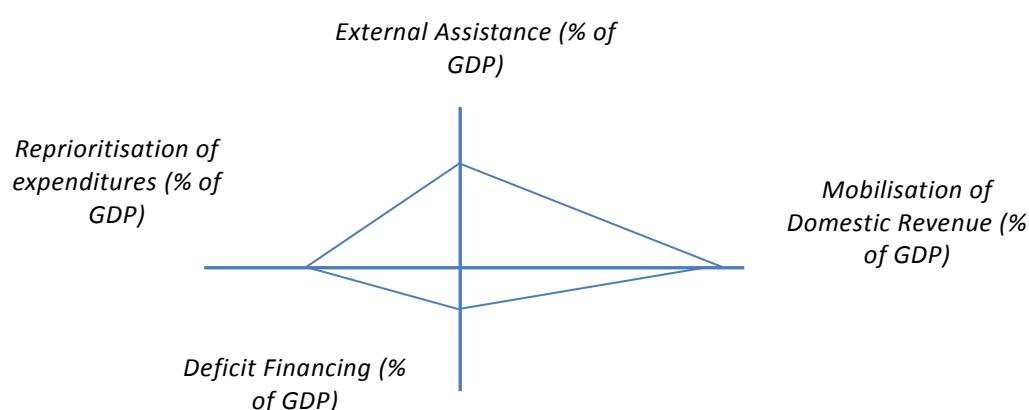
4 Principles and Practice of Social Protection Financing

4.1 Fiscal Space

Financing of social protection must begin with a whole-of-government analysis. This is because social protection is competing for resources with other activities, including other social sector initiatives. Consequently, much of the contemporary literature on financing social protection begins with the concept of fiscal space which may be defined as "*the room in a government's budget that allows it to provide resources for a desired purpose without jeopardising the sustainability of its financial position or the stability of the economy*" (Heller, 2005).

Fiscal space is best illustrated by the fiscal diamond at Figure 1 below where all measurements are as % of GDP:

Figure 2: Fiscal Diamond



Source: WB/IMF Development Committee Interim Report, 2006 (and UNDP)

Fiscal space, the area under the diamond, can be expanded by moving any point of the diamond outwards. Three points of the diamond, Increased External Resources, Mobilisation of Domestic Resources and Deficit Financing (funded by borrowing) create new budgetary resources (albeit that Deficit Financing only increases budgetary resources in the short to medium run). The other point of the diamond, Reprioritisation of Expenditures, increases the *allocative efficiency* of existing budgetary resources.

Social protection expenditures are recurrent in nature, and once begun cannot easily be withdrawn without political consequences. Once established, they become what budget specialists call a "non-discretionary" expenditure, and it is imperative that they should be fiscally sustainable. As a result financing for social protection cannot be unpredictable or volatile, or have a limited time horizon (Handley 2009: 22; World Bank, 2010:65; Holmqvist, 2010:3; and ILO, 2008:18).

Mobilisation of domestic revenue from taxation is the preferred method of financing long-term recurrent expenditures because it is the most dependable source. By contrast, mobilisation of resource revenues is a special case, where the revenue may vary dramatically with the rate of extraction or the price of the commodity. It may be limited by the lifetime of the resource. Consequently careful consideration is required before basing long-term social protection finance on resource revenues. Another special case is the earmarking of taxes for social protection. However, Ministries of Finance often frown on such approaches because they limited budget flexibility.

Increasing aid is a popular approach to expanding fiscal space in general, and has been widely used in sub-Saharan Africa to finance social protection. However, Bulir and Hamann (2005)

found that aid was 20 times as volatile as tax revenues, and also pro-cyclical. In addition, all forms of aid have significant transaction costs from negotiating the funds to monitoring, reporting and evaluation, and often come with conditionalities that may or may not be in line with government thinking. Aid can be used for social protection, but it must be done carefully.

Deficit financing is always problematic, because the deficit must be financed by borrowing. Conventional budgetary wisdom argues that countries should only borrow to invest, and not to cover recurrent expenditures.

The remaining alternative presented by the diamond is reprioritisation (or reallocation) of domestic spending. There is almost always room for reallocating budgetary resources however, it is rarely more than 5% of the total since a large part of expenditure is difficult to avoid (non-discretionary). This includes salaries and other personnel related expenditures such as allowances, debt service and statutory costs. Finally, allocation of resources is always political, but reprioritisation is especially so.

The possibilities for financing social protection then are these. The first choice is always mobilisation of domestic revenues especially tax revenues. There is scope for financing social protection with external aid when the need is short-term or where the aid commitment is long-term. Reprioritisation of expenditures may create space for social protection but it is likely to be politically difficult.

4.2 Political space for financing social protection

Financing social protection requires strong political backing if it is to be successful. It will generally require the balancing of three interest groups: a rights-based group which often includes social sector ministries and civil society; politicians seeking the best for their constituents; and technocrats, often led by the Ministry of Finance, seeking to ensure that social protection initiatives are financially sound and fiscally sustainable.

There are a number of potential political drivers of social protection initiatives. A well governed and pro-poor, redistributive system of social transfers can reinforce political stability. McCord (2009) has argued that heightened need for political stability is often a key catalyst, as in Nepal and in Kenya after election violence in 2008. The politics of aid can also affect the success or failure of social protection initiatives. Temporary external financing may be used to stimulate the development of policies and institutions. However, it is not always successful especially where a political economy is not ripe for the introduction of social transfers. Finally, it is argued by Holmqvist (2010) that micro-level insecurity feeds patronage, and that patronage systems can therefore be undermined by a transparent and universal social transfers system. On the other hand, a social transfer system without clear benefit criteria can be manipulated and thus used to provide patronage opportunities.

4.3 Affordability and norms

The generation of fiscal space does not automatically benefit any particular area of spending, since it can be contested by all proposals. For social protection initiatives to bid effectively in that contest certain key questions must be answered: *What is the likely cost of the social protection initiatives envisaged? Also, what is "affordable"? And how can poverty outcomes be maximised?*

"Affordability" is not a particularly helpful concept. It is a matter of judgement and country context. The much quoted ILO report on affordability (ILO, 2008) maintained that social protection was affordable with donor support. That by itself is a major qualification. Indeed, its suggestion that social pensions might be 30% of GDP per capita is unaffordable for many low income countries. DFID has considered programmes to be affordable when implemented nationally because the cost of transfers lay within 0.3% and 0.5% of GDP or 2% of government budgets (National Audit Office, 2011).

In the final analysis affordability of social protection initiatives is a matter of political prioritisation. They may be particularly important as a response to a political need, or they may be displaced by another more pressing need. The level of fiscal stability will be important. Where government spending already exceeds 50% of GDP (as in Lesotho or France) it may be argued that no additional spending is affordable.

Affordability is often considered by examining expenditures as a percentage of GDP or of total government expenditures. However in a growing economy it is helpful to explore what percentage of the annual increase in revenues might be required for a new initiative in order to steadily built up to a target level of intervention. This is often a politically more acceptable method of introducing new programs.

4.4 Value for money

Cost effectiveness of social protection initiatives must be constantly monitored to ensure ongoing value for money. Firstly, and most important, a case must be made that social protection interventions can provide poverty results as good or better than other social sector initiatives. This cannot be demonstrated definitively, but the question cannot be avoided.

A common approach to achieving value for money in social transfers is targeting, and it must always be considered. Targeting can focus social protection interventions on the poor and vulnerable whether by selecting individual families or whole communities. However, although targeting seems to ensure value for money in any system of social transfers it is not without drawbacks. The first of these is the cost of developing and maintaining a database; a second is that the more precise the targeting formula, the less well it is understood at community level and the more chance exists for the system to be perceived as unfair (or indeed to facilitate patronage or corruption). It is also argued (Pritchett, 2005) that it is more difficult to sustain political support for targeted initiatives over time.

Value for money must also include consideration of the institutional arrangement. Economies of scale can be achieved when multiple social transfer programmes are harmonised and housed under one roof. Savings can be made on administrative processes, database development and management, as well as monitoring and evaluation.

4.5 Financial modalities

Financial modalities and mechanisms are intricately tied to institutional arrangements. In particular, dedicated agency models hold out more possibilities than arrangements where transfer programmes are housed directly within a government ministry. The balance between centralised and decentralised operations also has a major impact on financial modalities and mechanisms. Finally, where transfer programmes are jointly financed between a government and a donor or a group of donors, there needs to be an arrangement for the financial modalities of aid. It becomes necessary to choose from general budget support, sector budget support, basket funding or one of a variety of project modes.

The main criteria for selection of financial modalities include the maximisation of managerial efficiencies and the minimisation of fiduciary risk, whether through error or fraud. A number of principles follow from this:

- the transfer programme should be controlled through a strong accounting system capable of regular reconciliation and timely reporting
- financial systems to be:
 - operated by skilled personnel who can be held accountable for error and mismanagement
 - subject to annual audit and occasional fiduciary risk assessment

- as far as possible aligned, or shadow aligned³, with government systems
- the institutional arrangement must provide for upward accountability to the funders of the programme, whilst minimising their administrative burden
- jointly financed social transfer programmes, usually involving a donor and government, require a Memorandum of Understanding and agreed Joint Financing Arrangements which may be quite detailed specifying bank accounts, financial flows, account signatories, financial reporting systems and audit requirements.
- the use of cash should be reduced to a minimum since it is vulnerable to misuse and theft; banking systems should be preferred wherever possible

In social transfer programmes the disbursement mechanism is critically important. There are a range of possibilities which include decentralised cash-based systems; centralised systems which utilise traditional banks and bank transfers often with a network of local payment agents; and mobile phone banking systems which also use local payment agents for those clients who do not have access to mobile phone banking.

4.6 The Southern Africa and Middle Africa models

Building upon the rich literature on social protection financing, Miguel Niño-Zarazúa and his colleagues (Niño-Zarazúa, Miguel, et al, 2010) have identified what they term the **Southern Africa** and **Middle Africa** models of social protection. Our Terms of Reference specifically ask for comment on the differences in the Southern Africa model of financing direct income support and the East African model.

They identify a number of countries in southern Africa (South Africa, Namibia, Mauritius, Botswana, Lesotho and Swaziland) where social protection takes a number of forms including grants for the elderly, disability grants and children's grants and are paid for almost entirely from domestic revenues. Taking this characteristic along with others they present this as the Southern African model of social protection. They contrast this with a Middle Africa model of social protection which is primarily financed by donors. However, financing is not the only characteristic differentiating their models. Other factors are indicated in the table below:

Table 1: Characteristics of the Southern Africa and Middle Africa models

Feature	Southern Africa Model	Middle Africa model
Financing	often fully financed by government	donor-financed; limited financing from governments;
Conditionality	evolved around unconditional categorical grants for children & elderly	varied: but grants conditional on use of social services or work effort
Delivery	largely delivered by public agencies	diverse delivery: NGOs, public agencies, for-profit providers
Donor influence	weak donor influence	strong donor influence
Political commitment	enshrined in legislation; political commitment	projects not policies; lack of political commitment; limited institutionalisation

³ By shadow alignment we mean a system that copies government procedures in form, but which is subject to additional controls and safeguards in order to counter fiduciary risk

Feature	Southern Africa Model	Middle Africa model
National income & national capacity	Adopting countries have higher economic development; revenue collection capacity; service delivery capacity	lower income countries; low revenue capacity
Organisation	government run	strong involvement of community organisations in management and implementation
Focus	focus on broader population	focus on extreme poverty

Source: adapted from Niño-Zarazúa, Miguel, et al, 2010

Niño-Zarazúa et al have correctly identified two different arrangements of social protection, but further analysis is required to draw useful conclusions. The first point to make is that the geographical characterisation of the models is not helpful: it is either redundant in the sense that the characteristics have little to do with geography, or it is misleading in suggesting that geography is a source of causality⁴.

It is also not helpful to refer to the Middle Africa arrangement as a "model". As well as implying some kind of ideal, the word "model" implies a modeller, and the fragmentation of social transfers seen in Middle Africa has arisen because of the absence of any such modeller. The outcome in Middle Africa, which "lacks the coherence of the Southern Africa model", is better described as a muddle than a model, and that largely because of the multiplicity of actors and the influence of individual donor projects.

In short, Niño-Zarazúa et al have identified a number of interesting characteristics of social transfer programmes but have not succeeded in drawing a sound analysis from them. In the view of the authors of this report the arrangement of social transfers in the countries they discuss derives primarily from three factors: first, these are low-income countries with limited budgetary resources and many urgent priorities; second, they have no pressing political crises or threats of political instability to drive a reprioritisation of funds to social transfers; and third, they have long-standing relationships with donors, and donor influence has been a significant factor in the emergence of social transfers (resulting in the fragmented, pilot-dominated social transfer landscape). Other factors can be added but they all emanate from these three. For instance, the fact that these countries are low-income countries is associated with relatively low government capacity and the inability to easily coordinate social transfers to overcome the fragmentation that has arisen.

The question of whether these programmes in Middle Africa constitute a "short-lived donor fad or the beginnings of the construction of a sub-regional welfare regime" (p23) should not arise. The initiatives are more than simply a "donor fad". They are a concerted effort by the donor community to demonstrate to low income countries that social transfers are effective and affordable. Importantly, they are not the beginnings of a sub-regional (geography again) welfare regime. Many of the reasons that lead Niño-Zarazúa et al to consider that such a welfare regime may be emerging derive directly from the donor community itself, such as for instance the Livingstone process. They are also not "green shoots", since green shoots grow organically, and are not imported. By contrast, the countries of the Southern Africa model were not donor influenced. The social transfer programmes they established were national responses to concrete political contexts. Those programmes did not therefore require political embedding. The political drivers enabled the prioritisation of budgetary resources in an environment where budgetary resources were, in any event, more plentiful.

⁴ the geographical relevance is sometimes taken to extremes such as "most of the experimentation with pure income transfer programs has been in the South of Middle Africa" p12

We conclude that Niño-Zarazúa and his colleagues have identified some interesting characteristics which can be useful in our consideration of social transfer lessons for Uganda. However, the analytical overlay is not helpful, and has the potential to mislead.

5 Social Protection Financing & Emerging Themes in sub-Saharan Africa

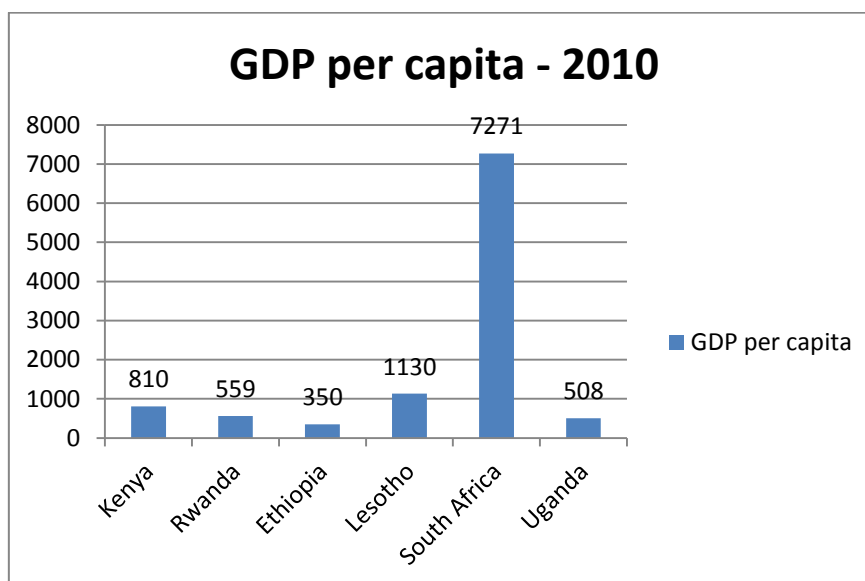
5.1 The reference countries

The literature review has pursued lines of enquiry in neighbouring countries designed to inform Ugandan decision makers in these areas. However, the authors are keenly aware that the contexts of the countries under review differ both from Uganda and amongst themselves, and the lessons they generate must be treated with caution. Some of the key differences are highlighted below.

Since the purpose of this study is to derive lessons which may assist decision-makers in Uganda, the issues emphasised here are those which have greater relevance to Uganda.

The countries reviewed were necessarily limited in number and information was obtained from secondary literature. The countries were Ethiopia, Kenya, Lesotho, Rwanda and South Africa, although reference is made to other countries where the authors found it relevant. In considering the findings it is important to record some key differences between these countries, particularly in GDP per capita, and the composition and level of government revenues. The following graphs indicate the position, and Figure 1 shows relative GDP per capita:

Figure 3: GDP per capita in the review countries



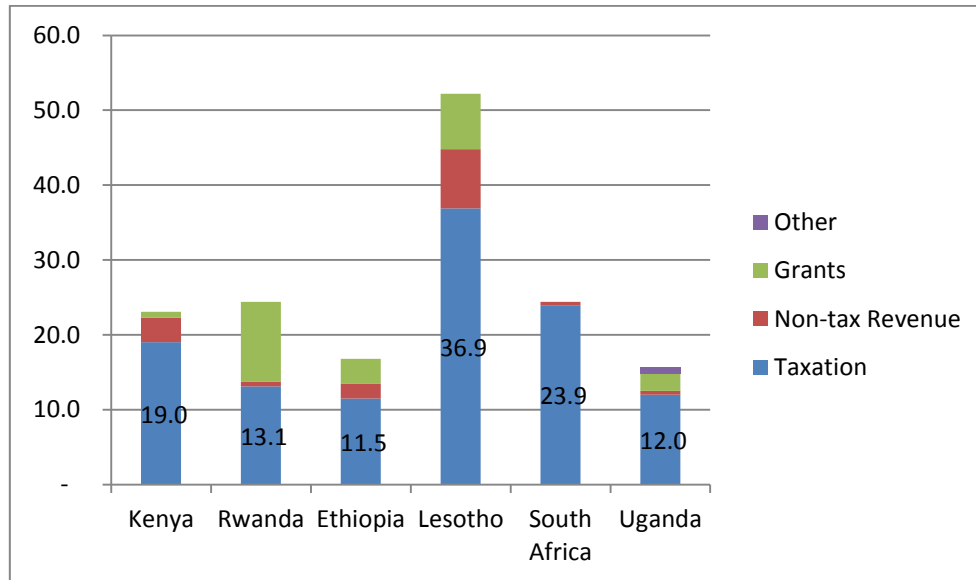
Source: IMF database

Amongst these Uganda is clearly in the lower income category, with only Ethiopia having a lower GDP per capita. Rwanda's GDP per capita is 10% higher, Kenya is 60% higher and Lesotho's figure is more than double that of Uganda. This will clearly influence choices. Lessons may be learned from much richer countries such as South Africa but its greater relative wealth means that it can afford more and wider social protection initiatives, and its capacity for financial management and monitoring more complex schemes is much greater.

The countries also have varying revenue structures and differing levels of revenue (measured

as a percentage of GDP). Figure 2 shows the position in 2010. In the review sample only Rwanda and Ethiopia collect taxes (in blue) at levels similar to Uganda, whilst Kenya, Lesotho and South Africa collect substantially more. Taking domestic revenues overall including non-tax revenues (NTR) and grants, Uganda has the lowest level of all at 15.6% of GDP. This is in part a result of the lower levels of grants received in Uganda in that year at only 2.3% of GDP compared with 3.3% of GDP in Ethiopia and 10.7% of GDP in Rwanda.

Figure 4: Revenue structure and levels in the review countries -2010



Source: IMF – various reports

In addition to the differences which can be portrayed numerically, the countries differ in their histories and have diverse political and cultural environments. All of these have affected choices.

Analytical work on social protection in low and middle income countries is often made more difficult by the absence of a formal social protection sector, and it has had its impact on this study. In particular, the absence of formal sectors has meant that in practice social protection initiatives have not benefited from central oversight and coordination and have been fragmented and haphazard. The implications for this analysis operate at two levels: first, the analysis itself is hampered because there are few opportunities for direct comparison between countries on social protection spending, and the comparisons that are made here are either piecemeal or not directly comparable for one reason or another. Secondly, both the allocative and operational efficiency of social protection financing are hampered by this fragmentation. Allocative efficiency is undermined because there are a multitude of uncoordinated decision-makers, and there is little consolidated financial monitoring information to guide allocation decisions. Operational efficiency is undermined because the economies of a coordinated approach are not secured.

For the most part we confine ourselves to a narrow view of social protection which includes direct income support, with an intensive focus on the pensions, and public works initiatives for poor and vulnerable families. Although it is generally considered as an element of social protection, this study does not review social insurance in Uganda.

5.2 Emerging themes and key lessons

5.2.1 Learning lessons

This section of the report looks at lessons that may be learned from social protection in

other countries of sub-Saharan Africa. The experience is indeed instructive. However, Uganda can also learn from its own short experience of social protection, and it is likely that lessons learned in-country will prove of equal or greater value. Where relevant we have drawn upon Ugandan examples as well.

5.2.2 Context matters

The first lesson that we learn from the literature review is that context matters and there is no standard approach. This observation occurs frequently in the literature, but is worth repeating and emphasising here. The countries that introduce social protection have widely varying political and economic backgrounds, and different levels of government revenue (as demonstrated in the charts above). They also have different needs and priorities. Uganda will forge its own path of social protection.

5.2.3 General feasibility

The survey of countries in sub-Saharan Africa demonstrates that social transfers are feasible in LICs – they exist not only in middle income countries like South Africa and Lesotho, but in lower income countries like Kenya and Rwanda with donor assistance, but also with financial support from government. Because social protection is not viewed as a formal sector, data are not formally collected in a way that is easily comparable. However, some examples will suffice. In Kenya social protection accounts for approximately 2.3% of GDP, with civil service pensions accounting for 1% and other formal pensions accounting for 0.5%. Other social protection interventions account for 0.8% of GDP and are financed 71% by donors and 29% by government. Rwanda is a poorer country than Kenya but still social assistance and social insurance accounts for 2.8% of government spending (or about 0.7% of GDP). In the 2009/10 budget 43% was donor financed. The Ethiopia Productive Safety Nets Programme (PSNP) is something of an outlier because it is a very large programme entirely financed by a donor pool fund. There is little evidence that government is preparing to finance it after its current expiry in 2014 (National Audit Office, 2011: p41).

5.2.4 Political drivers

Social protection interventions can be developed in a variety of political environments. However, advocates of social protection must gain a good understanding of the prevailing political mood and forces in assessing what forms of social protection might be most likely to succeed, and what constituencies might exist to support them.

Quite separate from the moral imperative, a major advantage of providing for vulnerable groups is that it can help to ensure political stability. Consequently, we notice that there is often a significant step up in social protection initiatives in countries with high Gini coefficients such as South Africa or the countries of Latin America. We have already noted earlier in this report that social protection was stepped up in Nepal after the Maoist insurgency and in Kenya after the electoral crisis of 2008.

Political background may be a catalyst for the introduction of social protection initiatives but it also can influence the form that they take or their geographical distribution. In Ethiopia, the very large public works programme that now exists was developed in response to the political imperative of moving people away from chronic dependence on food aid. In Uganda, the array of social protection initiatives in the North spearheaded by OPM/NUSAF, was in significant part an effort to ensure political and social stability in a region scarred by conflict.

Finally, social protection initiatives can confer electoral advantage and secure political

backing for this reason. In Lesotho the universal pension is a regular electoral issue, and it may influence voting patterns outside the ranks of the immediate beneficiaries.

5.2.5 Policy issues

What programmes to establish?

Social protection programmes in Africa do not follow standard models. However they typically display a range of interventions targeted towards the elderly, the disabled, orphans and vulnerable children, internally displaced people, and other vulnerable groups. They almost all include a pension scheme for civil servants. Many countries have a health insurance scheme to which government contributes. In countries with higher per capita incomes, the range of programmes tends to be more comprehensive. South Africa, for instance has a universal pension for all over 60, and a universal Child Support Grant for all children up to 18⁵. In countries with lower incomes social protection programmes are more piecemeal. Kenya for instance has an OVC programme with 412,470 beneficiaries, a means-tested programme for the elderly with 33,000 beneficiaries, a Hunger Safety Net Programme for food deficit families in specific areas with approximately 289,000 beneficiaries; other smaller programmes cover people with disabilities, provide urban food subsidies etc. (Republic of Kenya, 2009). The system in Ethiopia is more homogenised, focussing on one large public works programme, the PSNP referred to above.

Targeting or not?

Many types of targeting are used in African social protection systems. They include categorical targeting, community-based targeting (CBT), means testing, and dependency ratios. Higher income countries like South Africa have greater capacity for effective means testing and it is used widely. Proxy means tests have been used in Kenya, but a recent review (Republic of Kenya, 2012) reports that potential beneficiaries see these as being "no more accurate in targeting the poor than good luck or an act of God". CBT is commonly used in low income countries and the same Kenyan review reports positive results. Beneficiary households in CBT areas were 50% more likely to be poor than non-beneficiary households, compared to 14 % more likely in the social pension areas and 17 % in the dependency ratio areas.

Universal systems, such as the pensions system in Lesotho, do not of course raise these issues. However, the Kenya review notes that the presence of an elderly person in a household is not strongly associated with poverty in the programme's operational areas (Republic of Kenya, 2012:45).

Levels of benefit vary significantly. In middle income South Africa pensions are \$130 per month for all citizens aged 60 years and over, and the universal Child Support Grant is worth \$30 per child. In Lesotho the pension is worth only \$36 a month, and is provided only to citizens of 70 years and older, but not those with other government pensions. The average value of the transfers provided by Kenyan social protection programmes is much lower than either, and varies from an estimated US\$3 to US\$15 per person per month (Republic of Kenya, 2012).

Often the schemes that exist have been introduced gradually. In South Africa the Child Support Grant was introduced in 1998 to cover children below the age of seven, and it has steadily been extended (Niño-Zarazúa et al, 2010). The Kenyan schemes are slowly being expanded.

5.2.6 Legal framework

⁵ Both are means-tested, but the thresholds are relatively generous

In some countries social protection is enacted at a high level. The Constitution of Kenya at Article 43 (3) states that "the State shall provide appropriate social security to persons who are unable to support themselves and their dependents". In other countries (including Uganda) social protection is not included in the constitution or legislated, but brought in at policy level only, or in national planning. It is not clear whether there is a correlation between the level at which social protection is enacted and the quality of social protection provided.

5.2.7 Sources of financing

Section 4 above noted that social transfers require a permanent and predictable source of funding. Middle income countries like South Africa and Mauritius are indeed providing financing for social protection from tax revenues (Niño-Zarazúa et al, 2010) but a number of low income countries including Malawi and Zambia are introducing pilot schemes with relatively short term donor funding. Such pilot schemes have generally not tended to develop any sustainable result (Institute for Development Studies, 2010:2). In other countries such as Kenya and Rwanda (and indeed Uganda) donors are making relatively long term commitments to the development of national programmes.

Donor financing raises additional questions of aid modality. Where each donor has a separate project, fragmentation has resulted. Pooled funds or multi-donor funds can produce more manageable social protection programmes, and the more successful examples of Ethiopia's PSNP and Rwanda's Vision 2020 Umurenga Programme are discussed further below in the context of coordination.

Unlike other social protection initiatives, pension schemes and health insurance can be financed by contributions.

Where government and donors are both involved in financing social protection there is a clear tendency for governments to finance civil service pensions as a first preference. Programmes for vulnerable people tend to be funded by donors in the low income countries of sub-Saharan Africa.

5.2.8 Institutional and management issues

In all countries studied the Ministry of Finance has played a major role in expanding social protection budgets. This is inevitable since social protection programmes create long term financial commitments. The implementing ministry is often the ministry responsible for social development. Kenya provides a typical example where the National Steering Committee for Social Protection, chaired by the Ministry of Gender, Children and Social Development (MGCSA) provides overall strategic direction for social protection. The committee is supported by a Social Protection Secretariat, which is currently located within the MGCSA. However, a report (Republic of Kenya, 2009) notes that the Secretariat "is currently weak as its role is still evolving". Social protection initiatives are often housed in relatively weak ministries (Institute for Development Studies, 2010:2) and are therefore not very effective in advocating for increased resources or timely release of funds.

Local government often plays a critical role, but it is only in Rwanda that it plays a central role. The administration of all benefits in Rwanda is decentralised under the supervision of the Ministry of Local Government, Good Governance, Community Development and Social Affairs (Andrews et al, 2012).

The countries display a variety of disbursement methods. Lesotho is still using the Post Office which is spread throughout the country. Kenya on the other hand is moving towards more high-tech systems and according to a DFID survey, the CT-OVC cash

transfer process through Equity Bank using an electronic smartcard encrypted with biodata has proved extremely successful, with little in the way of reported losses or significant delays. Nonetheless electronic systems don't necessarily guarantee good reporting. In Kenya the Hunger Safety Net Programme has been using electronic systems since 2008 but at July 2011, standard management reports were still under development (NAO 2011).

Costs vary amongst the countries, but there is a natural tendency for universal programmes to have lower costs in relation to the amount of transfers. Lesotho estimates that costs of its universal pension are approximately 8% of the transfer amount. Overheads are higher (to 20%) on targeted systems such as CT OVC in Kenya. Currently, the overheads for that program are 19% of the budget, which is consistent with international benchmarks for this type of programme. In Ethiopia costs of the PSNP are estimated at 25% (White and Ellis, 2012).

Many countries report difficulties of coordination, often as a result of multiple donor interventions and the resultant array of parallel systems. The Kenya Social Protection Sector Review of 2012 reports that safety net programmes are fragmented and uncoordinated. There are currently over 19 of these programs in Kenya implemented by over a dozen different agencies. In Lesotho a review by the NGO CARE in 2006 identified more than 30 official programs, along with several ad hoc programs run by local governments and NGOs. They commented that existing survey data did not allow an analysis of who is adequately covered, who is missed, and who receives benefits but is not poor. By contrast Rwanda has made great strides with an undeniably government led programme in which donors are required to align their activities with government strategy (Andrews et al, 2012), and the Productive Safety Nets Programme of Ethiopia has managed to bring donors together in a single group, and develop pool funding mechanisms. In step towards harmonisation in Kenya, the main channel for DFID funding of the CT-OVC Programme has been the World Bank Trust Fund which provides a simple and cost-effective arrangement for DFID to engage with the Programme.

In any social protection scheme, benefit fraud is likely to be an issue. It is no different in Africa. In 2012 the responsible minister in Lesotho revealed that in the previous year the number of pension fraudsters had risen to 11,568 and that the government had lost M81 million or about \$8.4 million (Lesotho Times, 2012). In order to strengthen benefit integrity in Kenya there have been (1) renewed efforts to strengthen the targeting systems used by the three weakest programmes; (2) the upgrading of the complaints and grievance procedures throughout the NSNP; (3) investments in programme MIS and a single registry that will improve payroll controls, thus making it simpler to prevent double-dipping and to minimize the potential for ghost beneficiaries; and (4) the introduction of two-factor authentication for all payments in the NSNP (Republic of Kenya, 2009).

6 Social Protection in Uganda

The SPPER analysis identifies four categories of social protection:

- Social transfers: including transfers in-kind such as food aid as well as shorter-term cash/food/voucher-for work programmes
- Social insurance including government spending on pensions;
- Social care services: including services related to child protection, gender-based violence, and care of people living with disabilities or chronic illnesses (such as HIV/AIDS).

- Complementary activities designed to address the specific demand side barriers to access of basic services, such as school feeding programmes

In defining Social Protection, the SPPER specifically excludes from basic social service delivery such as education, health, and water/sanitation; livelihood programmes and income generating activities; local economic development, asset transfers.

The study is focused primarily on social transfers or direct income support.

Before 2010 direct income support in Uganda was focused heavily on conflict affected and agriculturally marginal areas in the north of the country. This reflects the high prevalence of poverty in that region⁶. These efforts have been coordinated through the Northern Uganda Recovery Programme (NUREP) and spearheaded by the Northern Uganda Social Action Fund (NUSAF) which is a government programme supported by loan finance from the World Bank. It commenced in 2003 and is currently in its second phase. Concurrently with NUSAF, many donor-financed agriculture and livelihoods projects have operated in the North. Although these projects may have a focus on improving livelihoods and agricultural development, many have also had an element of direct income support, often through public works activities.

In June 2010, Cabinet approved the establishment of the Expanding Social Protection (ESP) programme in recognition of the need to establish a coherent policy and fiscal framework for wider social protection in Uganda. Its stated purpose is to embed a national social protection system that benefits the poorest as a core element of Uganda's national policy, planning and budgeting processes. Its four primary outputs are: development of skills structures and systems for government leadership and implementation of social protection; development and implementation of policy and fiscal framework for social protection; delivery of social grants to poor households and generation of evidence on impact (the SAGE programme); and to improve information and knowledge of social protection amongst policymakers and the public.

Social Assistance Grants for Empowerment (SAGE) is a central programme of ESP. Operating as a pilot, it targets poor and vulnerable households in 14 pilot districts (out of a total of 112) with two types of grants: the Senior Citizens Grant (SCG) and the Vulnerable Families Grant (VFG). The programme pays out grants of UGX 24,000 (approximately \$9) per month in both cases. ESP data show that as of March 2013 there were in total 70,150 beneficiaries (SCG: 60,672) who had received a total of UGX 11.6 billion (of which UGX 10.3 billion - 89% - was for SCG). The greater numbers of SCG beneficiaries has been made possible because senior citizens are relatively easy to identify. The SCG aims to pay the monthly grant to all persons over the age of 65, and in Karamoja (where life expectancy is lower) to all persons over the age of 60. By contrast, the implementation of the VFG has proved more challenging owing to the absence of a robust civil registration system and high administrative costs. The VFG is also not well understood at community level because of the complex scoring system used to establish entitlement, and requires more intensive engagement from the programme.

SAGE has been financed by DfID and Irish Aid who have provided funds for the establishment of ESP, the development of policy and the payment of the transfers themselves for the duration of the pilot programme. The existing donor commitment ends in March 2015. As of March 2013 there is as yet no funding from Government of Uganda although the Memorandum of Understanding provides for the following amounts of counterpart funding:**Table 2: Government Counterpart Funding Commitments**

Dec 2011	Dec 2012	Dec 2013	Dec 2014
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⁶ According to the 2009/10 National Household Survey (Uganda Bureau of Statistics, 2010) the North still has the largest proportion of people living in poverty estimated at 46.2%, almost twice the national poverty level (24.5%), but down from 61% in 2005/06

£20,030	£143,000	£540,800	£1,388,700
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Source: SAGE MOU

SAGE transfers for both programmes are paid through the MTN Mobile Money system. This is considered to be the only phone company in Uganda with the capacity to make payments on a national basis and to meet the necessary reporting requirements. Maxwell Stamp (MSP), a consulting company, provides technical support to ESP and oversees the payment process.

In November 2012 there were significant changes in the payment modality for operational expenses. Until that time operational costs were paid through MGLSD bank accounts and the responsible Community Development Officer (CDO) at district level. In November 2012 the donor community instituted a suspension of aid in response to an audit report detailing serious irregularities and misuse of funds in the Office of the Prime Minister (OPM). Since that time SAGE payments flow only through bank accounts controlled by MSP. Contracted staff at district level, formerly hired by district administrations and financed by the programme, are now employed and managed directly by MSP.

MGLSD seeks authorisation and funding to roll out the SCG over a number of years to the remaining 98 districts have and, as resources allow, to introduce other secure and permanent benefits for vulnerable Ugandans. Sections 7 and 8 of this report explore the financial implications of the proposal to roll out the SCG over a number of years.

In addition to its work in rolling out SAGE, ESP has supported the drafting of a Draft Social Protection Policy Framework. This is not yet complete or finalised but sets out:

- The rationale for the Social Protection Policy Framework, making the point that there are a number of individual policies, laws and interventions relating to social protection but no framework to bring them together, or to support a national vision and strategic focus
- A situation analysis of poverty showing its impact on particular vulnerable groups with a review of existing Social Protection interventions
- Principles, Policy Objectives and Strategies and Priority Actions for Social Protection, and
- A proposed Institutional Framework

For the emerging social protection sub-sector to move forward and develop realistic bids for funding in the annual budgetary contest, the Policy Framework will need to be completed and supported by a comprehensive fiscal framework for social transfers aligned with the vision in the Policy Framework. This is already included in the ESP work plan and supported by the SPPER. In respect of the SCG, the financial projections in this study will contribute to that fiscal framework.

7 Macroeconomic Context and Prospects

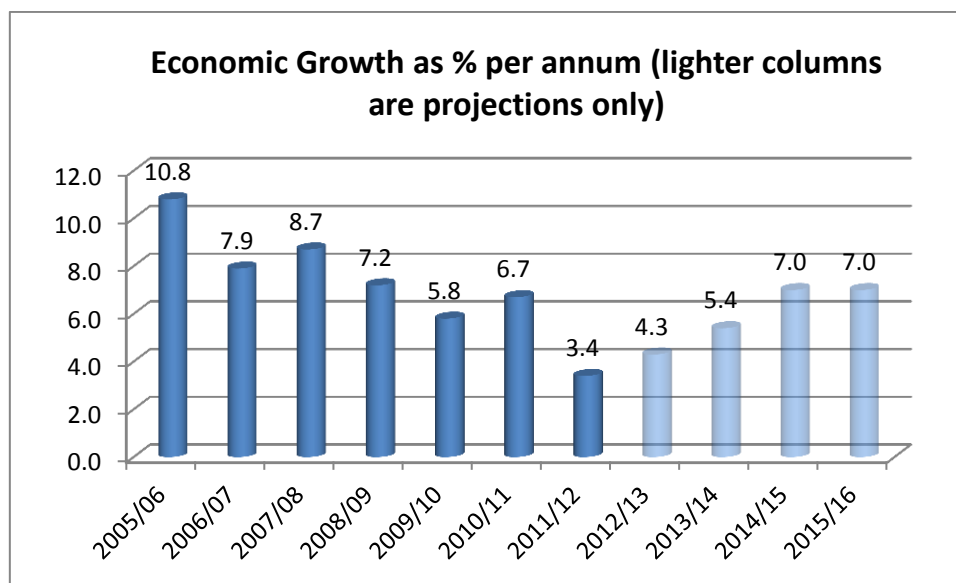
7.1 Approach

Our examination of financing options for the rollout of the SCG and financing of other forms of direct income support, adopts a two-step approach; first, a review of the macro fiscal position to assess the availability of fiscal space in future years; and an assessment of the cost of proposed interventions, but with special attention to the SCG itself. This section of the report sets out the macroeconomic context and prospects, and reviews government revenues and spending.

7.2 Macroeconomic environment

Uganda's economy has been growing strongly over the last 7 years and projections show that after a lull through 2013/14 growth (resulting from monetary tightening to rein in inflation) is expected to resume at 7% per annum. The position is shown in the figure below:

Figure 5: Economic Growth in Uganda 2005/06 to 2015/16



Source: IMF (various reports) via MoFPED

Uganda has a well-earned reputation for sound macroeconomic management and the elements of macroeconomic stability remain in place. Inflation has been brought back under control after reaching almost 20% in 2011/12, as a result of rising food prices. The loss of revenues resulting from a recent suspension of aid is being prudently managed. Medium term prospects are thought to be promising with continuing strong macroeconomic management and low inflation, together with heightened growth supported by a nascent oil industry, and greater levels of revenue collection from strengthened tax effort and oil revenues.

The picture painted by the macroeconomic data above is not complete without taking the political environment into account. There are several strands to this. First, the National Development Plan sets the tone for public investments in Uganda and has a strong emphasis on economic growth and wealth creation. Its vision is to transform Ugandan society from a peasant to a modern and prosperous country within 30 years. The tone of the document is mixed. The first listed objective of the Plan (page 5) is increasing household incomes and promoting equity and there are many elements in the Plan that support this. However, the thrust of the plan is to grow the economy at 7.2% per annum including higher public and private investment levels and changes in public expenditure allocations in favour of growth enhancing activities (p6). The plan reflects a change, but not a reversal, in thinking which is to “maintain the poverty eradication

vision [of the PEAP], but with an additional emphasis on economic transformation and wealth creation thereby intertwining sustainable economic growth with poverty eradication". More recent policy documents (*Republic of Uganda, MoFPED, 2012, Oil and Gas Revenue Management Policy, February 2012; Republic of Uganda, Public Finance Bill 2012, Draft*) also reflect this renewed emphasis on economic growth and infrastructural investment, requiring stronger arguments to support additional social spending than might have been necessary in the years of the PEAP.

A second factor in the political environment is the discovery of oil and the prospect of oil revenues. Whilst there are many estimates of the amount and timing of the oil revenue stream, (detailed below) it is clear that oil will boost the economy over the next 30 or more years. This has created a sense of optimism and confidence in government and amongst the public, and has given further impetus to the drive to become a middle income country⁷ (MIC) by 2025.

Thirdly, a key factor in Uganda's political calculations is demography. With 51% of the population under the age of 15 (UBOS, 2010) there is a keenly felt political imperative to create employment for reasons of growth, welfare and political stability.

Fourth, there are political commitments to increased Social Protection, including the explicit rollout of social pensions, in a number of key documents including the NDP and all political manifestoes. Paragraph 666 (page 283) of the NDP presents Objective 3 of Social Development, which is to "expand social protection measures to reduce vulnerability and enhance the productivity of the human resource". Sub-paragraph *vii* of that Objective expresses the intention to "develop and implement social transfer programmes including cash transfer programmes to the elderly, persons with disabilities and the poorest quarter of the population, and cash for work for the vulnerable youth". In spite of this commitment, the position of MoFPED is that the NDP includes many medium-term goals which are nonetheless required to compete for budgetary resources.

A fifth political consideration arises from the characteristics of the MGLSD itself. It is a multi-Ministry which houses portfolios with responsibilities for Gender, Labour, Social Development, Disability and the Elderly. This wide range of responsibilities means that it is not always easy to secure unanimity amongst key players. Moreover, like many ministries with responsibility for social development in sub-Saharan Africa, MGLSD tends to have less influence with MoFPED than larger line ministries.

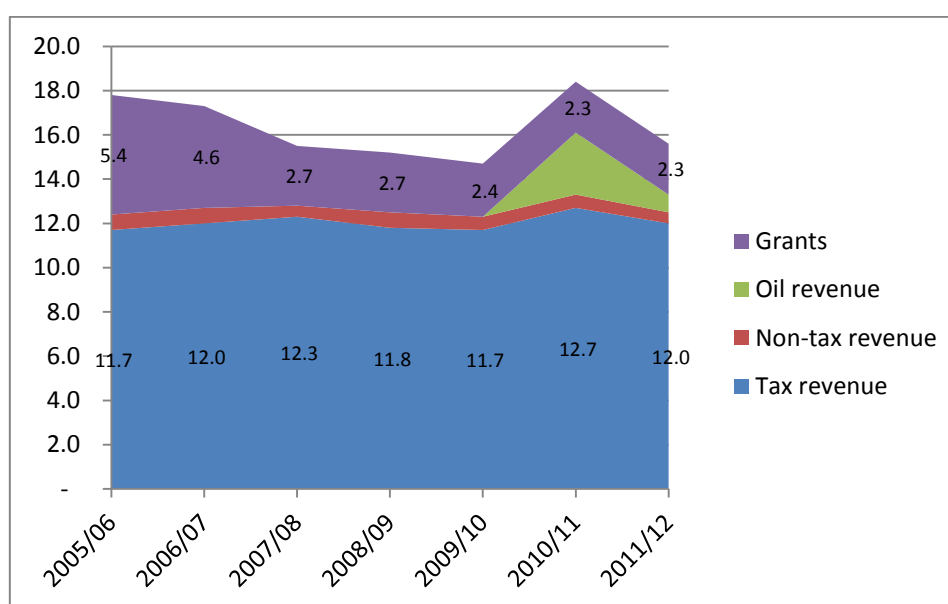
Finally, an important dimension of the political economy of Uganda is the changing relationship of GoU (particularly at central level) with the donor community. This has come about in two ways. First, the steady decline in the importance of aid to Uganda's economy (detailed below) has reduced the overall leverage and influence of the donor community; and second the recent theft of donor funds and subsequent suspension of aid has created tensions and heightened GoU concerns about the volatility of aid in the current poor governance environment. The IMF estimates that the reduction in aid following the suspension is equivalent to 1¼% of GDP in the 2012/13. Ironically, the counter measures designed to cope with this reduction (cost-cutting, domestic borrowing and renewed emphasis on mobilisation of domestic revenues) may further reduce reliance on aid and with it donor influence.

7.3 Government revenues

Economic growth in Uganda has been reflected in growing government revenues. These have grown broadly in line with the economy, remaining as a fairly constant percentage of GDP as indicated at Figure 5 below which shows the composition of revenues over the last seven years:

⁷ implying per capita income of \$1030, up from \$508 at present

Figure 6: Revenues as percentage of GDP 2005/06 to 2011/12



Source: IMF (various reports) with MoFPED data

7.3.1 Taxation

The lower segment of the graph represents tax revenues, which have been rangebound between 11.7% of GDP and 12.7% of GDP throughout. We have already seen (Section xx above) that this level of tax collection is also at the lower end of the range amongst neighbouring countries. A report by the African Development Bank (African Development Bank Group, OREA, 2010, *Domestic Resource Mobilisation for Poverty Reduction in East Africa, Uganda Case study*) considered that the relatively low levels of tax collection were caused by five factors: first that a large proportion of the informal sector falls outside the tax net; second that tax evasion is widespread; third that smuggling has contributed to revenue leakages; fourth that the slowing of revenue growth resulted from the erosion of institutional autonomy and poor governance at the Uganda Revenue Authority (URA); and fifth that the growing level of exemptions given by government to businesses have negated efforts at domestic resource mobilisation. Undoubtedly some or all of these factors have played a part⁸.

Taxation looking forward: the low Tax/GDP ratio is a major concern of MoFPED and URA. However, government is undertaking a number of measures to improve tax administration and raise the ratio of tax to GDP. These are detailed in the Corporate Plan 2011-2015 (Uganda Revenue Authority, 2011). They include the strengthening of linkages between tax systems using dedicated software to assist in the identification of non-compliant taxpayers; linking information with Kampala City Council; and the addition of staff so that more staff will be free to travel outside Kampala. The URA Corporate Plan proposes that the Tax to GDP Ratio should improve by approximately ½ of one per cent per annum, reaching 15.3% in 2015/16. Similar plans have failed before⁹ and collections are behind schedule in this one, but URA staff expect that the 2012/13 outturn will be in the region of 13% and that thereafter there will be improvements as a result of reforms already in place, but which have a long gestation period (URA, 2011:3). Moving forward, the Oil Revenue Management Policy (GoU, 2012) commits government to protecting non-oil revenues by ensuring that the current tax revenue effort is not eroded after the flow of oil revenue commences.

⁸ However, by way of qualification, we must point out that evidence cited in support of some of these factors comes from studies undertaken as far back as 2004.

⁹ the 2006–2010 Plan had a target of raising tax collections to 16% of GDP by 2010/11 (URA, 2011:3)

The MTEF 2012/13-2016/17 anticipates a steady increase in tax revenues. Budgeted tax revenues for 2012/13 amount to UGX 7,182 billion (12.9% of GDP) and rise steadily to reach a projected UGX 13,072 billion by 2016/17 (14.4% of projected GDP).

7.3.2 Oil revenues

Oil has not yet begun to flow, and consequently the oil revenue recorded in 2011/12 is a one-off. It represents Capital Gains Tax arising from the transfer of the Heritage license to Tullow and the subsequent transfer by Tullow to CNOOC and Total.

*Oil revenues looking forward: A lot has been written about likely future oil revenues in Uganda and what to do with them*¹⁰. On one issue government and all commentators are agreed - future streams of oil revenue are at present highly uncertain. Oil revenue streams will be affected by, amongst others: the level of reserves eventually discovered; rates of extraction, which are yet to be determined; the price of oil; and the size, cost, terms of acquisition and timing for the refinery. One of the best informed and most widely quoted assessments (Henstridge & Page, 2012) observes that even if production starts at modest levels in 2015 it will take until around 2026 before revenue climbs towards 5% of GDP. Depending on the price of oil they estimate that oil revenues may be between 3% and 9% of GDP for a period of 20 years, and that by 2030 they may amount to about \$40 per person in 2012 US dollars (p7). The reason for the slow start-up has to do with the cost profile of oil investment. They explain:

First, the oil companies make significant capital investment in production..... With production starting around 2016, by 2020 there is "cost oil" – which reimburses both the capital investment costs and operating costs of the contractors – and some "profit oil" which is shared between the contractors and government. The total state-share of revenue also includes royalty and Corporation Tax, and this builds up by 2020. By 2030, [production has] reached a plateau. Cost oil is relatively smaller because capital investment has been reimbursed. Profit oil is bigger, and so is revenue to the government.

The MTEF 2012/13-2016/17 includes no oil revenues¹¹.

Naturally, there is a lot of interest in how oil revenues will be spent. It is expected that oil revenues will support the NDP and its drive to develop infrastructure and key documents give credence to this. The Oil and Gas Revenue Management Policy (Republic of Uganda, 2012) argues that oil revenues should be applied to generate growth and productivity gains and to address geographical disadvantages by linking the country to the rest of the world (p23) and that rents from resource extraction should “lead to income from other activities” (p27). However, social spending is not completely ignored in the Policy which remarks that fiscal prudence will be required to ensure that the revenues are used productively to address the infrastructure and **social needs** of a fast-growing population (p23, our emphasis). The Draft Public Finance Bill (Republic of Uganda, 2012) is explicit about infrastructure. S53 states:

¹⁰ These include: IFPRI, 2011, *Managing Future Oil Revenues in Uganda for Agricultural Development and Poverty Reduction: A CGE analysis of challenges and options* which considers the poverty reducing impact for a menu of options for spending oil money, including on spending on infrastructure and cash transfers; Ben Shepherd, 2013, *Oil in Uganda: International Lessons for Success*, Chatham House, February 2013; Mark Henstridge and John Page, 2012, *Managing a Modest Boom: Oil Revenues in Uganda*, concludes that oil revenues will be limited for at least a decade but will reach from 3-9% of GDP for the next 20 years; Alan Gelb and Stephanie Majerowicz, 2011, *Oil for Uganda – or Ugandans? Can Cash Transfers Prevent the Resource Curse?* considers the strengths and limitations of using oil revenues for cash transfers; Susan Choudhury, 2012, *The Economics of Oil in Uganda: why Uganda is unlikely to graduate from aid in the next 20 years* which presents an informed view of oil prospects, and outlines a possible future role for aid in the oil era.

¹¹ although it does indicate that funds might be drawn down from the pre-existing oil fund

For avoidance of doubt, petroleum revenue shall be used for the financing of infrastructure and development projects of Government and not the recurrent expenditure of Government.

Nonetheless, the Public Finance Bill is a draft, and it is not yet known whether this much discussed section will appear in the final bill. It effectively requires that oil revenues will be earmarked for infrastructure. This approach would create two budgets which MoFPED is reluctant to do, since it would lead to reduced flexibility in allocation. If there is only one budget, all proposals (including those for social protection initiatives) will continue to compete for all funds based on priority ranking.

In considering how to spend oil money, much thought has been given to the negative consequences of resource income. Henstridge and Page (2012) note that "virtually all successful efforts to avoid the resource curse have been built on a strategy for diversification", and they identify three strategic initiatives with the potential to transform the structure of the economy. These are: to make a concerted effort to raise agricultural productivity including better inputs and agricultural infrastructure; to reduce the cost of capital investment by "investing to invest" by which they mean eliminating bottlenecks in construction; and to connect to the coast.

Other commentators¹² have argued for the expansion of social spending, including direct income support, when oil revenues come on stream, or have explored this possibility. Gelb and Majorewicz (2011) argue that in strong governance environments investment in infrastructure may be the first best option. However, where the governance environment is compromised infrastructure investments may be poorly chosen or otherwise less than optimal, with the result that social transfers may have a greater impact on long-term growth.

7.3.3 Non-tax revenues

Non-tax revenues (NTR) are relatively small, and remain between 0.5% and 0.7% of GDP. This is not expected to change significantly in future years, but NTR may increase as a result of closer monitoring through the URA e-payment system, and proposed reforms including allowing MDAs to retain NTR¹³. The MTEF 2012/13-2016/17 shows fluctuations but indicates an overall increase from UGX 150 billion budgeted for 2012/13 to a projected UGX 158.4 billion in 2016/17.

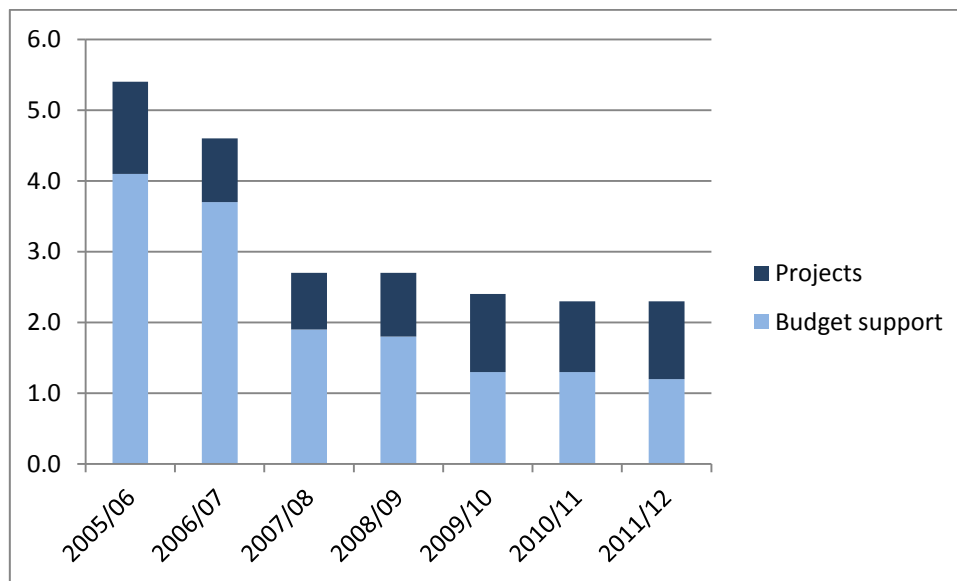
7.3.4 Grant income

Figure 5 above shows that income from grants has fallen from 5.4% of GDP in 2005/06 to only 2.3% of GDP in 2011/12. These figures represent on-budget grants only. Also, they do not include concessionary loans from IDA or ADB, which are shown as means of financing, even though they may properly be viewed as including a grant element. They do include both Budget Support and Project Support as follows:

¹² Gelb and Majerowicz, 2011; IFPRI, 2011; Waterhouse, 2012

¹³ A 2013 MoFPED presentation on tax policy states that "to encourage MDAs to collect more NTR, we propose that each NDA utilises their NTR in their budget. [Thus] NTR expected to be collected by each MDA is part of the amount allocated to that MDA every year that will be retained at source. This does not affect the NTR collected by URA."

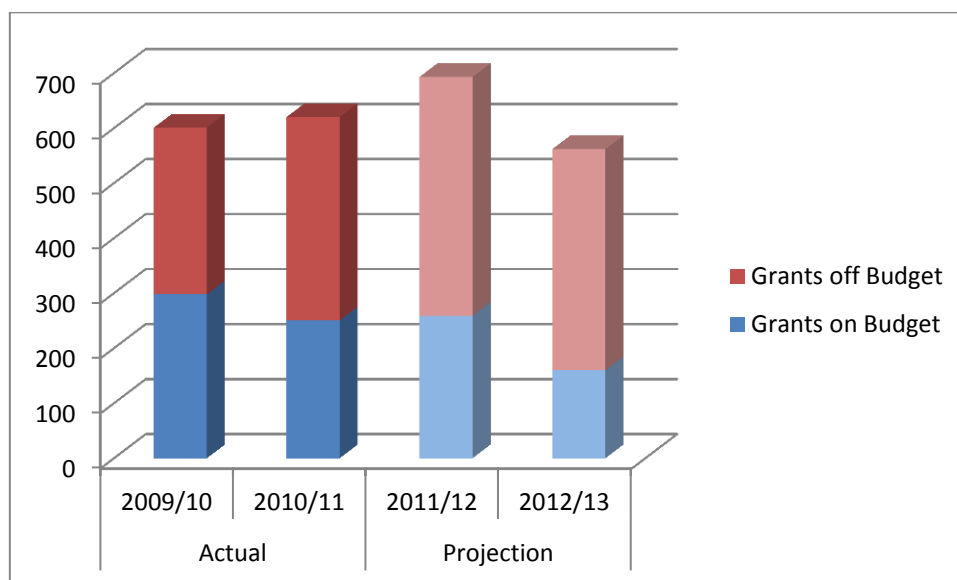
Figure 7: Budget Support & Projects as Components of Grant Income (% of GDP)



Source: MoFPED data

It is clear that budget support has fallen steadily from providing revenues equivalent to just over 4% of GDP in 2005/06 to only just over 1% in 2011/12. Levels of on-budget project grants have been variable but have not increased to offset the loss of budget support. Data from MoFPED (Figure 6) show that off-budget grants have been increasing at the same time as on-budget grants have been falling, which may indicate the preference of the use of donor systems from Government systems.

Figure 8: On-budget and off-budget grants, UGX billion



Source: MoFPED, Summary of Project Support Managed Outside Government Systems, June 2012

Grant income looking forward: there are a number of reasons to expect that the steady decline seen in Uganda's grant income since 2005/06 will continue in the years to come. First, the traditional donor countries are under economic pressure, and this is likely to continue. OECD reported in April 2012 that DAC ODA fell by 4% in 2012. Second, Uganda is increasingly seen as a likely graduate from aid because of its track record of economic growth (albeit in a temporary

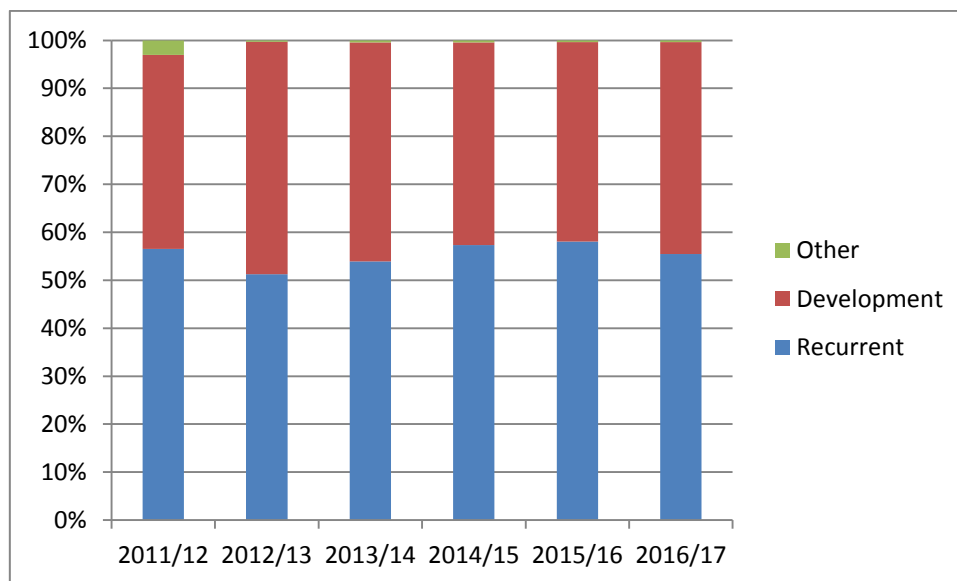
lull) and its steadily increasing per capita income. This view is strengthened because of the recent discovery of oil which is expected to enhance economic growth further and generate government revenues in the region of 3 to 9% of GDP, depending on the assumptions used. Indeed, major donors such as DFID are already fielding questions from their HQ, and being asked whether it is time to develop an aid exit strategy for Uganda. Third, Uganda has a track record of poor stewardship of aid monies which has led to the current suspension of aid. This is likely to have an adverse effect on aid flows in the medium term. Finally, it is the stated policy of GoU to increase concessional borrowing while reducing overall aid dependency over the medium term¹⁴.

The MTEF 2012/13-2016/17 reflects this expectation of falling grant income. It currently shows budget support falling from a budgeted figure of UGX 473.2 billion for 2012/13 to UGX 316.1 billion in 2016/17. Project grants are seeing falling more steeply from a budgeted figure of UGX 716.8 billion in 2012/13 to a projected UGX 441.5 billion in 2016/17, a 38% reduction. The 2013/14-2017/18 MTEF currently being prepared is expected to show that the outlook has worsened.

7.4 Patterns of government spending

Uganda maintains a dual budgetary system with a Recurrent and Development budget, and the proportions allocated to each have remained relatively steady in recent years. Figure 8 below shows the outturn for 2011/12 and the MTEF projections for years to 2016/17:

Figure 9: Expenditures as % of Total 2011/12 to 2016/17



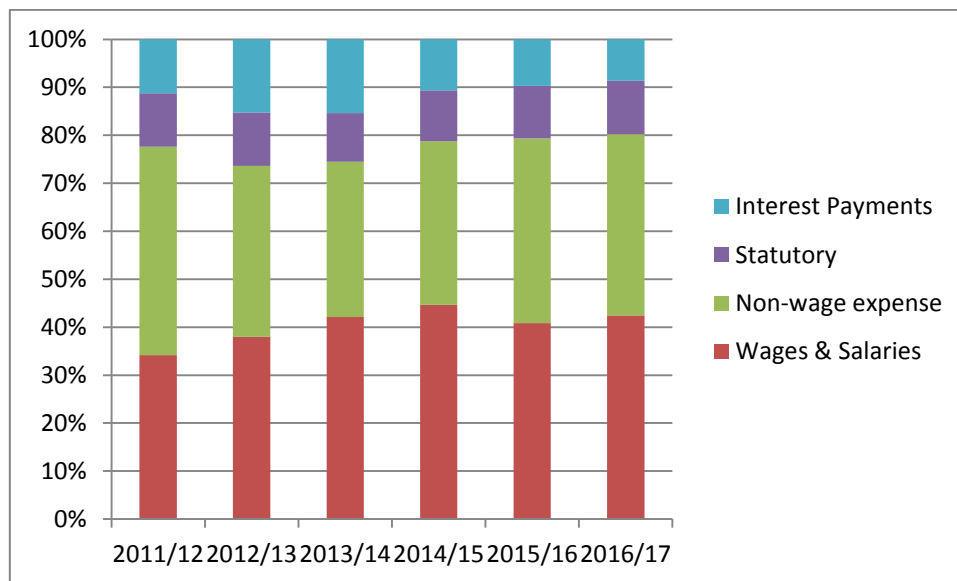
Source: MoFPED data: Background to the Budget 2012/13; Note: 2011/12 is the Projected Outturn and all other years are projections

In 2011/12 the Development Budget consisted of domestically-financed expenditures of UGX 2,141 billion (54%) and donor projects of UGX 1,798 billion (46%). Projections suggest that in 2016/17 the corresponding figures will be domestically-financed expenditures of UGX 5,398 billion (83%) and donor projects of UGX 1,131 billion (17%), with levels of donor projects steadily falling in nominal terms.

The Recurrent Budget comprises Wages and Salaries, Non-wage Expenditures, Statutory Expenses and Interest Payments. The relative proportions of each are as shown in Figure 9:

¹⁴ In the NDP and repeated in the 2012/13 Background to the Budget (p70)

Figure 10: Composition of the Recurrent Budget 2011/12 to 2016/17

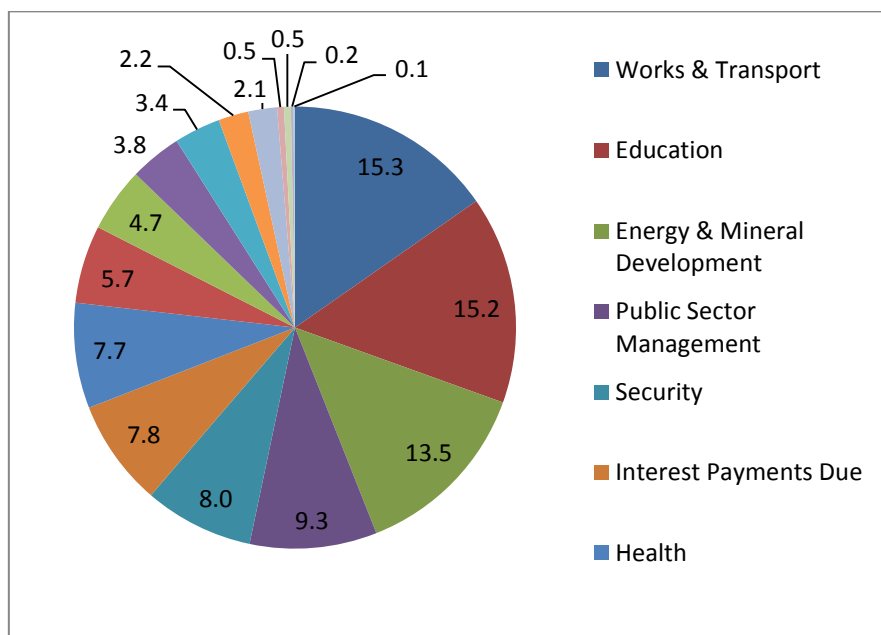


Source: MoFPED data: Background to the Budget 2012/13;

Note: 2011/12 is the Projected Outturn and all other years are projections

Expenditure between sectors for the 2012/13 budget (Recurrent and Development together) is shown as Figure 10 below. Major sectors are Works and Transport at 15.3%; Education at 15.2%; Energy and Mineral Development at 13.5%; Public Sector Management at 9.3%; Security at 8%; and Health at 7.7%. Together with interest payments accounting for 7.8%, these sectors account for 77% of total expenditures. Social Development takes ½ of 1% of total government spending. If we take the view that there is little room to reallocate funds from interest payments, statutory expenditures or wages and salaries (the non-discretionary expenditures), it becomes clear that any reallocation to social protection would have to come from the 40% of budget that represents non-wage expense.

Figure 11: Share of 2012/13 Total Budget by Sector



Source: MoFPED data

7.5 Social Protection Spending

Social protection spending is invariably difficult to assess, and Uganda is not an exception. This is because whether social protection is thought to be a sector, a subsector or a "thematic area" it is rarely organised in such a way that supports its effective supervision through coordinated management, a common policy, a common budget and a common monitoring system.

Setting aside civil service pensions, the Ministry with responsibility for social protection in Uganda is MGLSD. Unsurprisingly, it does not appear in the list of seven major ministries at Figure 10 above. This is because it accounted for only one half of 1% of government expenditure. An examination of the MLGSD budget shows that it relied heavily on external financing in 2011/12 and 2012/13:

Table 3: MLGSD Budget

	2011/12	2012/13
	UGX billion	UGX billion
Domestically financed	10.9	6.7
Externally financed	19.5	46.3
Total	30.4	53.0

Source: MoFPED data

This reliance on external financing is expected to reduce. The Medium Term Expenditure Framework (MTEF) indicates an expansion in the MGLSD budget to total UGX 116.6 billion by 2016/17, including only UGX 39.2 billion in donor projects. There is no provision in the current MTEF for any expansion of social transfers.

The most thorough review of Social Protection spending is the SPPER of 2012 (Expanding Social Protection, 2012). Although suffering from limited data availability and the complexities arising from fragmented project data, it provides the following findings and insights:

- government expenditure is dominated by spending on social insurance; public pensions allocated budget is more than 100 times greater than spending on social care services and social transfers together. Public sector pensions take up more than 3% of the total government budget
- donor spending is overwhelmingly dominated by food aid expenditure which outstrips all other spending over the period by almost 10 times (although this is changing)
- when food aid expenditure is excluded, donor spending is mainly on social transfers

8 Revenue Growth Projections and the SCG

8.1 The Revenue Growth Projections

Based upon the above information and analysis we have developed macro-economic projections to assess fiscal space going forward. This section presents these projections and explains the assumptions behind them, and in the following section we examine the financial implications of expanding social protection spending within this macro fiscal context. In developing projections we have adopted figures from the Medium Term Expenditure Framework (MTEF) which currently runs up to 2016/17¹⁵. Thereafter we have used assumptions which are as far as possible in line with the longer term assumptions of GoU. One particular area of uncertainty is oil revenue, and in the absence of a definitive MoFPED view we have used the opinions of informed commentators. These are fully referenced.

The fiscal diamond presented at Section 4 above suggests three sources of fiscal space in addition to the mobilisation of domestic resources. These are grants, fiscal deficit/borrowing, and reprioritisation of expenditures (i.e. greater efficiency of spending). We have considered all three.

We have developed three Revenue Growth Projections (RGPs) with the middle one – our standard RGP – being deliberately conservative. All three RGPs have certain assumptions in common. They are:

- Nominal budget support will follow the MTEF with the following significant deviations as a result of the aid suspension: no budget support is anticipated for 2012/13; budget support is expected at 25% of MTEF projection in 2013/14; and at 50% of MTEF projection in 2014/15. 2015/16 and 2016/17 are projected in line with the MTEF, after which there is a 5% nominal reduction each year.
- Project support is projected to follow the MTEF until 2016/17, and thereafter there is a 5% nominal reduction each year.
- NTR is in line with MTEF to 2016/17 and then continues at 0.2 of 1 per cent of GDP, which is slightly lower than the average of the current MTEF period (2012/13 to 2016/17).
- Fiscal space is not expanded through fiscal deficits and/or borrowing (borrowing is discussed below at Section 8.2.1)
- In the period under review, no additional fiscal space is generated through reprioritisation (reprioritisation is discussed below at Section 8.2.2)

In addition to revenue growth assumptions, we have assumed that Recurrent and Development budgets will follow the MTEF to 2016/17. Thereafter the Recurrent Budget will be equal to 70% of Total Revenues and the Development budget will be equal to 55% of Total Revenues. This follows recent history (see Figure 8 above).

The assumptions of the RGPs differ in three areas: the rate of economic growth; the level of tax revenues in relation to GDP; and the level of oil revenues. The variable assumptions are:

¹⁵ although a new Medium Term Expenditure Framework is expected imminently

Table 4: Variable Assumptions of the Revenue Growth Projections

Indicator	Standard RGP	High (Optimistic) RGP	Low (Pessimistic) RGP
Rate of economic growth	Nominal GDP increases in line with current projections till 2015/16 and thereafter at 13% being 7% growth and 5.6% inflation	Nominal GDP increases in line with current projections till 2015/16 and thereafter at 13% being 7% growth and 5.6% inflation	Nominal GDP increases in line with current projections till 2015/16 and thereafter at 11% being 5.1% growth and 5.6% inflation
Level of tax revenues in relation to GDP	Tax revenue increases in line with MTEF till 2016/17 and after that the Tax/GDP ratio increases at 0.3% (not target of 0.5% which has not been achieved) Tax/GDP ratio plateaus at 15% of GDP in 2018/19	Tax revenue increases in line with MTEF till 2016/17 and after that the Tax/GDP ratio increases at 0.5% No plateau; reaches 17.9% of GDP in 2023/24	Tax revenue increases in line with MTEF till 2016/17 and after that the Tax/GDP ratio increases at 0.3% (not target of 0.5% which has not been achieved) Tax/GDP ratio plateaus at 14% of GDP in 2016/17
Level of oil revenues	No oil revenue is included in this projection	Oil revenues from 2016/17	No oil revenue is included in this projection

Source: Consultant's Assumptions guided by Stakeholder consultations, 2013

Using IMF data for GDP and the assumptions above we generate the following figures for each RGP:

Figure 12: Standard Revenue Growth Projection

	2013/14	2014/15	2015/16	2016/17	2017/18
Nominal GDP (UGX billion)	62,402	71,046	80,565	90,965	102,790
Revenue					
Taxation	8,290	9,586	11,211	13,072	15,110
NTR	137	146	158	158	206
Oil Revenue	-	-	-	-	-
Grants	785	761	998	997	947
	9,212	10,493	12,367	14,227	16,263
Increase in Revenue	1,097	1,281	1,874	1,860	2,036
	2018/19	2019/20	2020/21	2021/22	2022/23
Nominal GDP (UGX)	116,153	131,253	148,316	167,597	189,385
Revenue					
Taxation	17,423	19,688	22,247	25,140	28,408
NTR	232	263	297	335	379
Oil Revenue	-	-	-	-	-
Grants	900	855	812	771	732
	18,555	20,806	23,356	26,246	29,519
Increase in Revenue	2,292	2,251	2,550	2,890	3,273

Source: authors' calculations based upon MoFPED data and the assumptions indicated

Figure 13: High (Optimistic) Revenue Growth Projection

	2013/14	2014/15	2015/16	2016/17	2017/18
Nominal GDP (UGX)	62,402	71,046	80,565	90,965	102,790
Revenue					
Taxation	8,290	9,586	11,211	13,072	15,316
NTR	137	146	158	158	206
Oil Revenue	-	-	-	910	1,028
Grants	785	761	998	997	947
	9,212	10,493	12,367	15,137	17,497
Increase in Revenue	1,097	1,281	1,874	2,770	2,360
	2018/19	2019/20	2020/21	2021/22	2022/23
Nominal GDP (UGX)	116,153	131,253	148,316	167,597	189,385
Revenue					
Taxation	17,888	20,869	24,324	28,324	32,953
NTR	232	263	297	335	379
Oil Revenue	1,162	1,969	2,225	3,352	4,735
Grants	900	855	812	771	732
	20,182	23,956	27,658	32,782	38,799
Increase in Revenue	2,685	3,774	3,702	5,124	6,017

Source: authors' calculations based upon MoFPED data and the assumptions indicated

Figure 14: Low (pessimistic) Revenue Growth Projection

	2013/14	2014/15	2015/16	2016/17	2017/18
Nominal GDP (UGX)	62,402	71,046	80,565	89,427	99,264
Revenue					
Taxation	8,290	9,586	11,211	12,520	13,897
NTR	137	146	158	158	206
Oil Revenue	-	-	-	-	-
Grants	785	761	998	997	947
	9,212	10,493	12,367	13,675	15,050
Increase in Revenue	1,097	1,281	1,874	1,308	1,375
	2018/19	2019/20	2020/21	2021/22	2022/23
Nominal GDP (UGX)	110,183	122,303	135,756	150,689	167,265
Revenue					
Taxation	15,426	17,122	19,006	21,096	23,417
NTR	232	263	297	335	379
Oil Revenue	-	-	-	-	-
Grants	900	855	812	771	732
	16,558	18,240	20,115	22,202	24,528
Increase in Revenue	1,508	1,682	1,875	2,087	2,326

Source: authors' calculations based upon MoFPED data and the assumptions indicated

The impact of the variable assumptions can be seen clearly by looking at the total revenue figures projected for 2022/23. In the standard RGP it is UGX 29,519 billion; in the High RGP UGX 38,799 billion; and in the Low RGP UGX 24,528 billion.

8.2 Commentary on aspects of fiscal space

8.2.1 Borrowing

GOU expects to continue running modest fiscal deficits supported by borrowing, and also to borrow when necessary for productive investments. However, MoFPED policy is not to borrow for recurrent expenditures such as social protection¹⁶. Accordingly, it has been assumed here that any borrowing by GOU will not enlarge the envelope available for social protection expenditures in any RGP. Should borrowing be used to increase fiscal space for social transfers? PFM principles suggest that this is unwise but it is widely done using concessionary borrowing in Latin America and in Uganda in NUSAF 2.

With that said, the debt position in Uganda is considered sustainable. Debt stands at 23% of GDP (IMF) and interest payments for 2012/13 are projected at UGX 840 billion which is 15.3% of budgeted recurrent expenditure (UGX 5,506 billion). There is therefore room for Uganda to borrow. Indeed Uganda is currently borrowing both externally and on the domestic market partly to compensate for reduced GBS, but also to finance development expenditure.

8.2.2 Reprioritisation

Reprioritisation of expenditures, and elimination or reduction of inefficient expenditures, can indeed create the fiscal space required for other activities. However, reprioritisation is a highly

¹⁶ Advised to the team in meetings – no policy document has been seen

political activity and it is therefore beyond the remit of this study to comment on any particular reprioritisation. Consequently, no enhancement of fiscal space from this source has been taken into account in any RGP. With that said, it is quite possible that with a strong evidence-based argument for the benefits of SCG, government could find areas for reprioritisation of funds.

8.2.3 Fiscal Space and PFM Quality

Some writers include the quality of public financial management as another factor in the assessment of fiscal space (Handley, 2009). It is argued that the ability to control costs and to implement a budget effectively makes it possible to guarantee fiscal space for budgeted projects and possibly to save money for additional activities. Credibility of the budget is especially important. In the latest 2012 PEFA assessment, the 28 indicators of government systems (excluding those relating to donor practices) show 3 “A”s, 6 “B”s, 12 “C”s and 7 “D”s. This is exactly the same mix of scores as in 2008, although a few indicators have improved whilst others have lapsed. With the majority of indicators scoring in the lower half of the grid, this is not by any means a star performance. However, a contrasting World Bank assessment of Uganda against its peers gives a score of 4.2 for Economic Management against an average of 3.5 for all IDA borrowers (2011, *IDA Resource Allocation Index Uganda*).

8.3 Projections for the Senior Citizens Grant

8.3.1 Short and Long Rollout

This section of the report sets out the likely cost of rolling out the SCG. Two distinct rollout periods are presented. The first is the Short Rollout which sees an expansion from current levels in 2015/16 and is fully rolled out by 2018/19, making a roll-out period of four years from 2015/16. The second is the Long Rollout which also sees an expansion from current levels in 2015/16, but is not fully rollout until 2020/21, making a roll-out period of six years.

Both rollouts use common assumptions. They are

- Population growth rate at 3.5% per annum for next 10 years
- Population of 65+ grows at same rate – 3.5% p.a. following discussions with UBOS, and comparisons with data from Lesotho and Ethiopia
- First significant additional tranche of beneficiaries in 2015/16

The only real difference is the rate at which beneficiaries are introduced into the programme. Full rollout is reached by 2018/19 and of the Short Rollout, with 1.3 million beneficiaries. The Long Rollout is completed by 2020/21, at which point there are 1.4 million beneficiaries

8.3.2 Grant Support for the Senior Citizens Grant

The team held discussions with the three agencies supporting ESP: DFID, Irish Aid and UNICEF. Only DFID and Irish Aid contribute funds, and both indicated a strong interest in continuing their support to social protection, and in particular the rollout of social transfers, providing that GoU demonstrates a clear financial commitment to the rollout. This has not yet happened.

Based upon these discussions we drew up a possible profile of grant income from 2013/14 to 2023/24, and this is presented below. It does not represent a commitment from either DFID or Irish Aid. No such commitments have been indicated to us, and as far as we know no such commitments have been made to government beyond March 2015. The profile of grant income is considered to be plausible and illustrative, to be used for the purposes of this analysis only.

Based upon discussions, we have assumed that grants for the SAGE programme will continue at present levels until 2019/20 (critically dependent upon GoU financial commitment) and then phase out over four years reducing by 20% in each year. We have also assumed that exchange rates for £ and € will remain constant. The projected grant profile is presented from

2015/16 forward which is the year of proposed rollout commencement. It appears as follows:

Table 5: Projected Grant Profile

Year	DFID	Irish Aid	Total
	UGX billion	UGX billion	UGX billion
2015/16	55.9	7.9	63.8
2016/17	55.9	7.9	63.8
2017/18	55.9	7.9	63.8
2018/19	55.9	7.9	63.8
2019/20	55.9	7.9	63.8
2020/21	44.7	6.3	51.0
2021/22	33.5	4.8	38.3
2022/23	22.3	3.2	25.5
2023/24	11.2	1.6	12.8
2024/25	0	0	0

8.3.3 Costing and Financial Implications of SCG rollout

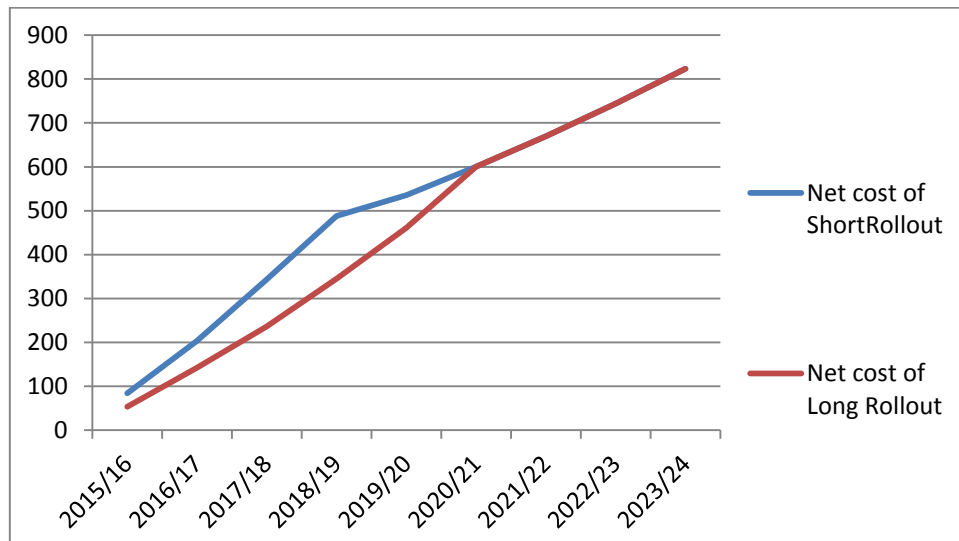
This section sets out the costs of rolling out the Senior Citizens Grant for both Short and Long rollouts and derives a net cost after adding 10% for overhead costs and deducting projected grant income. It is then compared with the likely revenue stream to assess the financial implications.

Table 6: Net costs of rollout

Year	Cost of Short Rollout (incl. 10% overhead) (1)	Cost of Long Rollout (incl. 10% overhead) (2)	Projected grant income (3)	Net cost of Short Rollout (1) - (3)	Net cost of Long Rollout (2) - (3)
	UGX billion	UGX billion	UGX billion	UGX billion	UGX billion
2015/16	147.8	117.2	63.8	84.0	53.4
2016/17	267.8	206.2	63.8	204.0	142.4
2017/18	407.9	300.5	63.8	344.1	236.7
2018/19	551.7	409.1	63.8	487.9	345.3
2019/20	599.6	525.3	63.8	535.8	461.5
2020/21	651.6	651.6	51.0	600.6	600.6
2021/22	708.1	708.1	38.3	669.8	669.8
2022/23	769.6	769.5	25.5	744.1	744.1
2023/24	836.3	836.3	12.8	823.5	823.5

Or graphically presented the two cost profiles look like this:

Figure 15: Cost profile of Short and Long Rollout of SCG in UGX billion



After 2020/21 the costs are identical because at this point both are fully rolled out. Savings only occur during the rollout period. The financial implications, using the assumptions above, are as follows:

Short Rollout:

Using the Standard Revenue Growth Projection and the Short Rollout (four years from 2015/16) the cost to government including overheads in 2018/19 (full rollout) is:

- 0.42% of GDP
- 2.09% of total government expenditure (which is 3.76% of recurrent expenditure)
- Rollout can be fully financed from projected increases in revenue. It takes a maximum 6.88% of the annual revenue increase (in 2017/18).
- By 2023/24 the SCG requires only 0.38% of GDP; 1.97% of total government expenditure (which is 3.54% of recurrent expenditure)

Long Rollout:

Using the Standard Revenue Growth Projection and the Long Rollout (six years from 2015/16) the cost to government including overheads in 2020/21 (full rollout) is:

- 0.4% of GDP
- 2.04% of total government expenditure (which is 3.67% of recurrent expenditure)
- Rollout can be fully financed from projected increases in revenue. It takes a maximum 5.45% of the annual revenue increase (in 2020/21).
- By 2023/24 the SCG requires only 0.38% of GDP; 1.97% of total government expenditure (which is 3.54% of recurrent expenditure)

These indicators are compared with corresponding figures for the Low RGP and the High RGP at Table 7 below:

Table 7: Comparison of Financial Implications of SCG Rollout with Different Revenue Growth Projections

	Standard RGP	High RGP	Low RGP
% GDP in 2020/21	0.4%	0.4%	0.44%
% of Recurrent Expenditure	3.67%	3.10%	4.27%
% of Total Government Expenditure	2.04%	1.72%	2.37%
Maximum % of Revenue increase taken during rollout period	Short: 6.88% Long: 5.45%	Short: 5.94% Long: 4.04%	Short: 10.24% Long: 7.44%

The key percentages for the standard revenue projection are displayed graphically in Figures 15 to 17 below:

Figure 16: Short and long rollout as % of Total Government Expenditure (TGE)

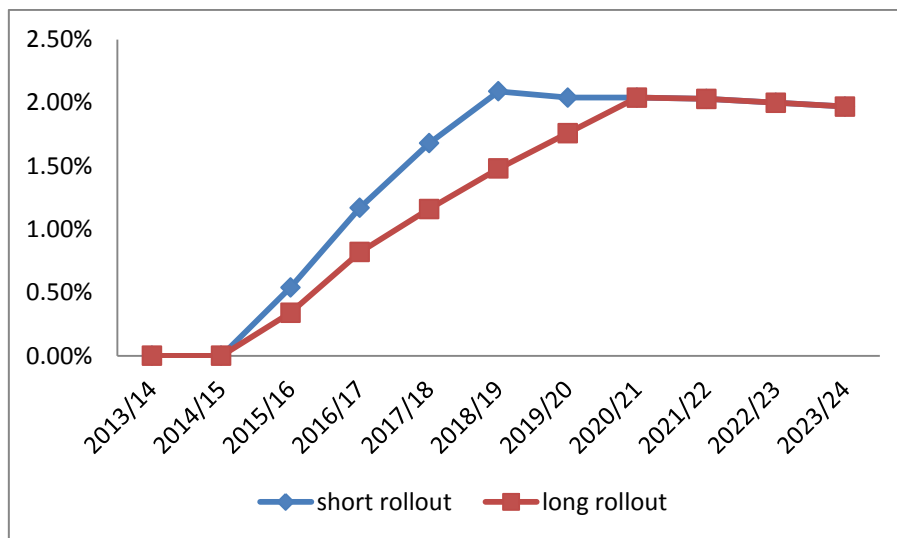


Figure 17: Short and long rollout as % of Total Recurrent Expenditure

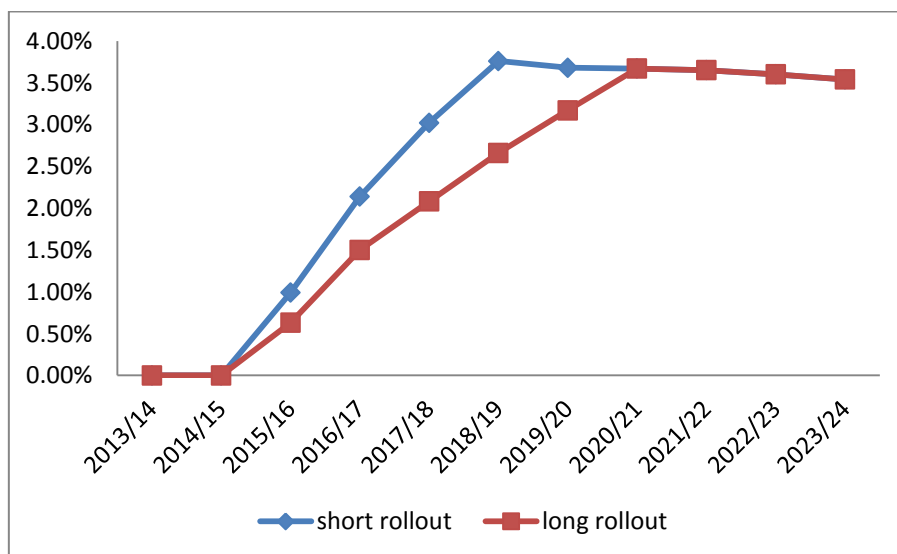
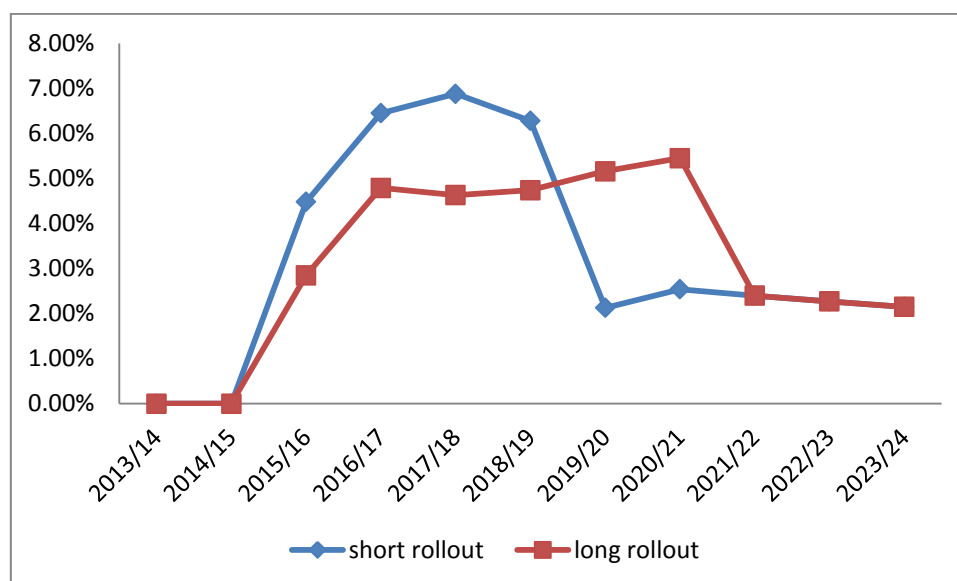


Figure 18: Short and long rollout as % of projected annual increase in revenue



8.3.4 Adjustments to the costs of rollout

The relationship of SCG costs to available revenue, and indeed revenue increases, suggests that expansion is affordable. However, the costs are not immutably fixed and can be varied by a number of measures including:

- changing the qualification criteria by age or gender
- excluding those who are in receipt of another pension
- changing the level of benefit
- altering the period over which the benefit is introduced, or
- adopting some form of targeting, although targeting systems are quite costly and it is possible that, if the system is not universal, it may not have the same level of support

Benefits could be increased from those proposed here, or the benefit age reduced. Calculations for such changes have not been made because they are thought to be too ambitious. However, increasing the rate of benefit would increase government costs proportionately. That is, an increase in benefit from UGX 24,000/month to UGX 30,000/month is a 25% increase which will raise the absolute cost by 25%¹⁷, and the percentage of government expenditure from 2% to around 2.5%. A reduction in the benefit age to, say, 60 for all citizens could easily double the cost – probably more, since there are a large number of Ugandans in the 60-65 age group.

8.3.5 Is the rollout of SCG the best approach to reducing poverty?

This question must be asked, but the answer is beyond the scope of this paper. There are many potential approaches to poverty reduction, including social transfers, food aid, the expansion of service delivery, or agricultural input subsidies, and adopting one does not exclude the use of another. Some are more vulnerable to diversion of funds than others, and direct income support is thought to be less vulnerable to malpractices because of its use of mobile money and its predictability to the beneficiary. In addition, ESP has carried out numerous field monitoring visits which indicate that Senior Citizen Grants and Vulnerable Family Grants have enabled beneficiary families to provide better meals for their households, to take better care of their children's (or grandchildren's) health and educational needs, and to make small investments to start productive livelihoods. An impact assessment is planned and the outcome of this assessment will provide further evidence for decision-making.

¹⁷ In fact by a little more than 25% because of the impact of the fixed donor contribution

8.4 Financial Modalities for Social Protection in Uganda:

In all the financial modalities outlined below we try to assume as little as possible about institutional arrangements since these are not yet agreed. However, all modalities discussed below assume that MGLSD is the responsible line Ministry.

8.4.1 Current aid modalities

The current modality used in ESP is relatively uncomplicated since there are only two donors and government has so far only provided resources in kind. There are two streams of funding: operational funds and transfers. Prior to November 2012 operational funds provided by DFID and Irish Aid, flowed through a government account at MGLSD and from there to the 14 operational districts. Until this time, government officers at central and district level authorised payments and signed on the bank accounts. District level staff financed with donor money were fully managed by the CDO. Transfer funds were managed through an MSP account from which they were paid to MTN, the disbursement agent.

In November 2012 there were major changes in modality. This resulted from two factors: first the report from the National Audit Office reporting major fraud in the OPM, which resulted in a loss of donor confidence in government systems and a significant suspension of aid; and second receipt of a Fiduciary Risk Assessment which revealed several weaknesses in systems which were more severe at district level.

From November 2012 the modality in operation has been changed to minimise the use of government systems and to eliminate the use of government bank accounts.

Under the existing Memorandum of Understanding, GoU is required to make certain financial contributions outlined at Section 6 above, but these payments have not yet been made. Also, the method of payment for government contributions has not yet been agreed. Government may find it easier to make payments directly to MTN in support of transfers than to make a payment into an account controlled by MSP, and perhaps this will be the best approach. Under such a system, the total amount required to be transferred to MTN for a particular month or quarter would be calculated. MoFPED would make the agreed transfer, and the remaining amount would come from the MSP account. If something like this can be arranged to accommodate the government financial contribution, the existing modality can continue for the remaining period of the MOU, that is, until March 2015.

8.4.2 Funding modality from 2015/16 forward

A financial modality more suited to joint funding will be required from July 2015. This is because the first jump in SCG recipients is proposed from 2015/16, and the full rollout which would be carried out with contributions from GoU is proposed in the years 2015/16 to 2018/19 in the amounts of UGX 84 billion, 204 billion, 344 billion and 488 billion. The plan envisages a period of joint GoU/donor funding until 2023/24.

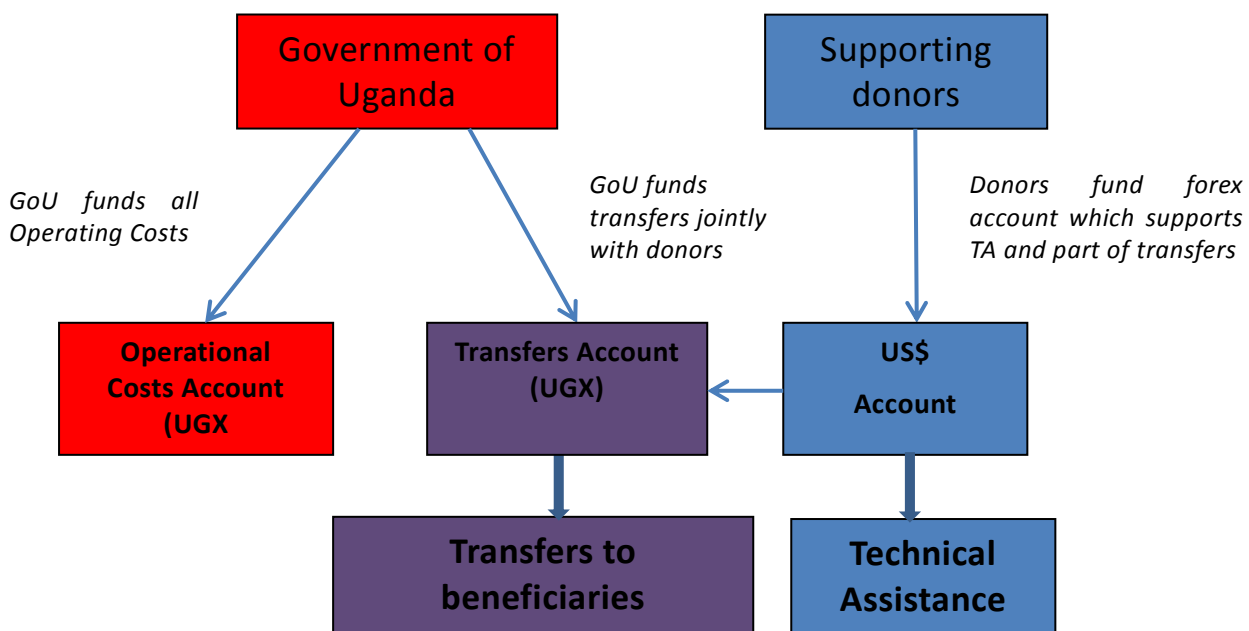
It is proposed here that from 2015/16, whatever model is selected, GoU funds should first be applied to meet the operational costs of the programme, excluding Technical Assistance. This will have the advantage that a joint funding modality will not be required for operational costs, but only for the transfer costs themselves. Operational costs have been estimated at 10% of the total amount of transfers and, on the basis of the short rollout, are expected to total UGX 13.4 billion in 2015/16 when the annual contribution of GoU is proposed to be UGX 84 billion. There would therefore be a balance of UGX 70.6 billion from GoU to fund transfers in that year through the joint funding modality. At no point would be GoU contributions be less than the overhead. The funding modality for operational costs could follow the preferred GoU channel which may be either through MGLSD or through a dedicated agency if one is established.

From 2015/16 and forward there are a number of possible joint funding modalities for the payment of transfers. The first of these is to use general budget support. However, after the recent failures of financial governance in OPM there is a lack of confidence amongst donors in GoU financial systems and an associated disenchantment with budget support. It is unlikely that a budget support option will be acceptable to donors in the near future. Accordingly, this modality is not considered further here.

A second possibility is sector budget support running through MGLSD. Necessarily, this would, involve MGLSD staff at the districts, and would look very much like the system that operated prior to November 2012. Fiduciary risk issues, particularly at district level where capacity is less, make this a less attractive option.

A third possibility would require the establishment of a dedicated agency¹⁸. This may be much like the existing ESP but with greater autonomy and subject to the oversight of a Board; or it may be a Statutory Body created by Act of Parliament. In either case the financial modality approach would be the same. The agency would maintain at least three separate bank accounts: for (A) operational expenses, for (B) transfers (UGX) and for (C) transfers (USD). Account A would be funded entirely by GoU, and B funded jointly by donors and GoU in agreed proportions and on an agreed schedule, although donor funds would flow through the USD account (C) where they would be held until required in the UGX account. Assuming the disbursement modality remained the same, funds will be transferred from account B (UGX transfers) to MTN on a similar basis as at present. The funding position might be:

Figure 19: Proposed funding flows



One variant of this would be to maintain the present arrangement and to have these accounts within ESP.

Capacity limitations as well as fiduciary risk concerns, particularly on the part of the donors, will for the foreseeable future require Technical Assistance support in general programme oversight and financial management. It is expected that whatever form the programme takes such Technical Assistance will have a continuing role in providing assurance to donors that monies are being applied to the purpose intended. It is likely that this will mean Technical

¹⁸ perhaps something along the lines of the National Road Fund

Assistance staff will have a central role in financial management and reporting as well as the authorisation of payments. It is also expected that, whatever financial modality is chosen, that the programme should be subjected to an annual independent audit.

An alternative modality might be for government to fund all transfers and donors to reimburse government on satisfactory evidence of transfers having being made. This would still require Technical Assistance to support the process and to support the verification mechanism underlying the reimbursement.

8.4.3 Disbursement modalities

Disbursement modalities are a fundamental element of an effective social protection scheme. Although the consultancy team have not had the opportunity to examine disbursement modalities of the ESP in detail, the following issues are worthy of note. First, disbursement modalities must not only be strong and resilient against both error and fraud. This is important both for the effectiveness of the system and to maintain the confidence of funders, whether they be donors or government. Second, and in spite of the above, it is inevitable that there will be some fraudulent activity in an operation such as the one proposed which aims to deliver a pension to 1.3 million people. It is therefore imperative that there should be a strong monitoring and audit system that can catch those errors and fraud, and that the system should respond rapidly and fully to audit findings. Without this, the system will rapidly lose the confidence of stakeholders and the public. Needless to say, the audit system should be robust, regular and independent.

8.4.4 Role of local government

There is a discussion within Uganda concerning the role of local government in the disbursement of social transfers including the SCG. In the view of the authors there is a critical role for local government in the social transfer process, which includes support to the identification of beneficiaries, engagement with any concerns or grievances that they might have, and support for the resolution of local difficulties. Importantly, local government staff can ensure that any necessary linkages are made with other local programmes and initiatives. However, central *disbursement* has a number of advantages that are decisive. They include:

- banks (including mobile money systems) are specialised in the handling and distribution of money. They can be held accountable for the provision of the service and use of these systems will strengthen rural banking.
- centralised disbursement enables a central relationship with a banking system, which facilitates secure transfer of funds, nationwide reporting and effective account reconciliation. By contrast local government disbursement would require a more vulnerable cash system, and financial reporting would tend to be fragmented
- a centralised accounting and disbursement system can be more effectively managed by a small and highly skilled team

There is also a discussion as to whether local governments should finance social protection. In Uganda, this is not practical since local government's own revenues are quite small. Even so, it is likely that the districts with the greatest need would be the least able to finance a system of social transfers.

8.4.5 Conditionalities

A key conditionality requested by DPs is that government should commit to financial support of the programme and meet its commitments in a timely manner. This can be ensured by agreeing that any failure by GoU to make timely payments of instalments will be followed by withholding of donor instalments until the GoU payment is made.

9 Public Works Programmes

This section of the report briefly summarises public-works programmes in operation in Uganda and identifies the extent to which they have a significant social protection function. It considers existing financing arrangements and challenges, and considerations in selecting more effective financing options and financial modalities in the future.

Two recent documents (SPPER 2012; McCord, 2012) have summarised the public works projects current in Uganda. Current activities include:

- NUSAF 2: a \$100m 5 year project focussed on Northern Uganda with \$20m for PWP (and a further \$40m for Income Generating Activities). Managed by the Office of the Prime Minister with World Bank Finance.
- ALREP (North) and KALIP (Karamoja): EC 5 year projects with budgets of €20m & €15m respectively. These are successor programmes to NUREP (Northern Uganda Agricultural Livelihoods Recovery Programme) and the Karamoja Livelihoods Programme. Both include labour intensive works components, with an emphasis on supporting “extremely vulnerable individuals”. ALREP supports upwards of 75,000 families while KASLIP supports approximately 25,000 families.
- WFP/KPAP: The Karamoja Productive Assets Programme began in 2011, providing cash-for-work or food-for-work for 74,000 beneficiaries.
- RALNUC and DAR: The Restoration of Agricultural Livelihoods in Northern Uganda and the Development Assistance to Refugee Hosting Areas are funded by DANIDA. This is phase two from 2009-2012. Both use labour-intensive works, although payment is through vouchers rather than cash or food. DAR seeks to increase agricultural production, while RALNUC supports returning IDPs to resettle. Supports approximately 25,000 households.

The Programmes use a variety of financing arrangements according to donor preferences. NUSAF2 uses the standard World Bank arrangement with a Special Account and a series of subsidiary accounts. The financing arrangements of PW projects outside NUSAF 2, are almost all closely associated with one donor and managed according to the financial regulations selected by the donor concerned. There are generally no counterpart funds from GoU.

The Overview by McCord (McCord, 2012) confirmed the common view that Public Works Programmes in Uganda are poorly coordinated. In large part this is because of the variety of donor interventions. However, government interventions are managed through different agencies notably the Office of the Prime Minister (OPM) and the Ministry of Agriculture. This poor coordination has clear adverse implications for the planning, implementation and monitoring of PWP sketch in general, but it has serious financial consequences as well. In particular, any inefficiency through overlapping coverage, whether of individuals or communities, creates unnecessary costs; and poor harmonisation means that each project is required to explain its conditions and requirements afresh. Second, any financial oversight on the part of government is made more difficult, and third, individual off-budget projects are not easily brought into government planning.

It is not easy to see how Public Works might be managed within a sector setting. Some projects see themselves as primarily agricultural and would consider that they have stronger links, and more useful networking possibilities, within the agricultural sector; others consider themselves as primarily involved with the Northern Uganda recovery effort, and see their most useful links to be with colleague agencies working in that region. Clearly there are also social protection elements of their work, and their formal links with social protection are still evolving.

Nonetheless, it will clearly be to the advantage of government if Public Works activities have reliable financing going forward, and robust financing and financial management mechanisms. Much of this is contingent on the strengthening of coordination in general so that information

can be collected and shared, and so that financial modalities can be harmonised over time. This has been achieved through the Donor Coordinating Group of the Ethiopian Productive Safety Nets Programme (see Box).

Ethiopia's Productive Safety Nets Programme (PSNP)

The PSNP is the largest social safety net programme in Africa outside of South Africa. It was implemented in 2005 by the Ethiopian government and financed by international donors through the Donor Coordinating Group – a joint donor group which includes USAID, the World Food Programme and the World Bank. The scheme initially cost approximately \$230 million per year, though this has increased by about 50% in the last few years.

As part of Ethiopia's wider Food Security Programme, the PSNP aims to provide households with enough income, in the form of either cash or food, to meet the food gap (i.e. those months a household is unable to satisfy its food needs). It aims to end dependency on emergency food relief altogether and stimulate sustainable livelihoods.

For six months of the year, the programme mobilises labour for public works activities - building infrastructure such as roads, soil and water conservation, and irrigation systems, in order to promote agricultural productivity and access to markets. Payment for this public work comes in the form of either cash or food. Rather than simply addressing the symptoms of food insecurity, the PSNP aims to help people 'graduate' out of chronic food insecurity. From 2005 to 2008, the number of beneficiaries increased from 5 million to 8 million, who were eating more food of better quality more often, while the programme has helped protect people's assets and reduced the need for premature harvesting of crops.

The overview (McCord, 2012) includes recommends a basket funding approach to increase donor coordination. It proposes that there should be a discussion with donors and government on the possibility of a basket approach to financing livelihoods programming on the basis of a multi-donor medium-term financing commitment (as has been developed in Ethiopia for the PSNP) in order to increase programme efficiencies, promote programme harmonisation and reduce transaction costs for the Government of Uganda. This recommendation remains valid.

10 Findings and Next Steps

10.1 Findings

This study has explored financing options and financing modalities for the expansion of direct income support in Uganda. Key findings are as follows:

1. If government chooses, social pensions can be rolled out in Uganda to every senior citizen (65+) without re-prioritising existing spending. Using our cautious Standard Revenue Growth Projection the rollout would take a maximum of 7% of the *revenue increase* from one year to the next. After full rollout in 2018/19 it would consume just over 2% of government expenditures, or 3.76% of recurrent expenditures.
2. Social pensions and other transfers are increasingly common in sub-Saharan Africa, often supported by government funding. Generally, the lower the income of the country, the more it is reliant on donor support.
3. Cost-effective financing of social transfers, including public works, requires strong government leadership and effective coordination of social protection initiatives.
4. A system of predictable and permanent social transfers requires a long-term, predictable and permanent funding source if it is to be fiscally sustainable
5. Social protection in Uganda currently receives a very low share of government funding, with the exception of the provision of public sector pensions
6. Strong economic growth, oil revenues, and improvements in tax effort and administration are expected to generate significant increases in government revenues in the coming decade. Grants are expected to decline over the same period. However, using

a cautious set of assumptions and discounting oil revenues altogether, total revenues are still projected to rise significantly.

7. Key donors show continuing interest in supporting social pensions in Uganda, but with the proviso that government should also show a strong financial commitment
- 8.
9. There are several options for financial modalities but in the medium term budget support and sector budget support pose unacceptable fiduciary risks for donors. A dedicated agency operating a joint fund would be a highly manageable arrangement.
10. Public works are almost exclusively externally financed, and with the exception of NUSAF 2, through small donor projects. Attempts to overcome this fragmentation through a coordination process have achieved only limited gains, and cost effectiveness has been compromised. Improved coordination of public works initiatives is a key requirement for effective financing.

10.2 Next Steps

The purpose of this report has been to explore options and present information and possibilities. It is not possible, nor would it be correct, for this consultancy to give an "up or down" answer or recommendation on the rollout of the Senior Citizens' Grant. This is for two reasons. First the purpose of this study has been, from the outset to provide information to assist decision-makers and especially information on costs of the SCG. This has been done thoroughly. Secondly, the decision on whether or not to roll out the SCG, and if so, over what time period, cannot be made by a team of consultants. It involves assessments and prioritisations which only the government of Uganda can make. Is the SCG more important than building a road from A to B? Is it more of a priority than expanding teacher training, or technical training? Is it more or less important than other social protection interventions? These are difficult decisions and they are decisions for government. Third, key recommendations in the area of Social Protection have already been made in the Public Expenditure Review (ESP, 2012) and in other papers (e.g. McCord, 2012). However, we propose the following next steps:

1. As soon as possible a process and a timeline should be agreed between MoFPED, MLGSD and donors for making key decisions on SCG financing and related activities such as the proposed impact assessment, long-term institutional arrangements etc.
2. GoU and donors should remain mindful that SCG is one intervention only. For correct decisions to be taken it must be situated within the context of a strategic framework of social protection interventions. It is therefore imperative to finalise the Social Protection Policy and develop a medium term plan for expansion of social protection that demonstrates the position of SCG within it.
3. Develop a comprehensive fiscal framework for social transfers aligned with the vision in policy framework as proposed in the Work Plan of ESP.
4. GoU to demonstrate its commitment to the existing programme by making the financial contributions listed in the MOU.
5. GoU to explore the possibility of a dedicated agency to manage a Social Transfers Fund.
6. Whatever model is adopted for social protection and social transfers, steps must be taken to reduce fiduciary risk and strengthen controls. Financial management and disbursement systems should be centralised, with strategic deployment of dedicated staff throughout the country to support local disbursement.
7. It is important for all stakeholders not to be too ambitious, Uganda has been growing fast, but is still a Low Income Country
8. Revisit the recommendations of the Public Expenditure Review, in particular recommendations on:
 - a. improving operational efficiency in social protection,

- b. clarity within government about its objectives for the social protection subsector,
 - c. consolidation of programmes and joint funding of activities, and
 - d. consideration of appropriate institutional arrangements
9. Revisit and discuss the recommendations of the Scoping Study on Public Works Programmes (McCord, 2012) in particular where they relate to coordination of public works and proposals for a joint funding mechanism, drawing where possible from the Ethiopian Productive Safety Nets Programme.

Annex 1: Terms of Reference

MINISTRY OF GENDER LABOUR AND SOCIAL DEVELOPMENT EXPANDING SOCIAL PROTECTION PROGRAMME FINANCING OPTIONS FOR SOCIAL PROTECTION IN UGANDA TERMS OF REFERENCE

INTRODUCTION

Social Protection is conceptually defined as all public and private interventions that address vulnerabilities associated with being or becoming poor. It is essentially concerned with initiatives to prevent, mitigate, manage and overcome *a defined* set of risks and vulnerabilities. At the core of most national social protection systems are direct income support programmes (also known as social transfers). These are regular, predictable small transfers of money to poor and vulnerable citizens which provide a minimum level of income security.

Social protection is globally recognized as a critical component of national development strategies and key to achieving inclusive pro poor, equitable development. The 2010-2015 National Development Plan (NDP) articulates Uganda's ambition of becoming a middle income country by 2017. To support this vision, the NDP acknowledges a key role for Social Protection. The plan outlines clear objectives for expanding social protection to reduce vulnerability and enhance productivity of the human resource, including formulation of a social protection policy and the expansion of direct income support programmes to vulnerable groups. Expanding social protection will reduce the economic insecurity of Uganda's vulnerable citizens. It will thus reduce the section of Uganda's population who are disconnected from the country's growth preventing them from benefiting from and contributing to the country's social and economic transformation.

In line with this objective, the Ministry of Gender, Labour and Social Development (MGLSD) in partnership with the Department for International Development (DFID), Irish AID and UNICEF is currently implementing the Expanding Social Protection (ESP) programme. The goal of ESP is to reduce chronic poverty and improve life chances for poor men, women and children in Uganda. The programme aims to embed a national social protection system, including direct income support for the poorest and most vulnerable, as a core element of Uganda's national planning and budgeting processes. The programme is designed around two components:

- **Policy support** focusing on strengthening leadership on social protection across government, developing a national social protection strategic and fiscal framework, generating evidence on the impacts of social protection, and building government commitment and investment in social protection; and
- The implementation of a **cash transfer pilot** (Social Assistance Grants for Empowerment – SAGE).

Implementation of the pilot Social Assistance Grants for Empowerment in 14 districts of Uganda is a key component of this initiative and is designed to generate evidence on the impact of and experience in delivery of large- scale direct income support programmes. The pilot includes two grants: the Senior Citizens Grant (SCG) to citizens aged 65 and above (60 and above in Karamoja) and a Vulnerable Families Grant (VFG) to households with high numbers of people who cannot work.

ESP anticipates that additional GoU and development partner financing may be forthcoming within the current pilot phase and before 2015 to enable an expansion of at least one of the grants schemes under SAGE beyond the current 14 districts.

Over the medium term (5-10 years) it is further hoped that at least one of the grants will be expanded nationally. This national expansion is likely to be financed through joint GoU and development partner financing.

The draft Social Protection Policy in Uganda outlines objectives for the gradual introduction over the longer term of additional direct income support programmes targeted at vulnerable members of the broader population. This potentially includes disability grants or child grants. Long term financing partnerships are likely to be required between GoU and development partners, to support this national extension.

On the above basis ESP, on behalf of MGLSD, wishes to assess and identify options for financing mechanisms and financing sources from both GoU and development partners, over the short (1-5 years), medium (5-10 years) and longer (10+ years) term. This work will constitute a feasibility study on potential social protection financing in Uganda.

ESP has recently undertaken a micro-simulation on the likely costs (and impacts) of a range of Direct Income Support programmes at national scale. These include Senior Citizens Grants, Disability Grants, various child grants and Vulnerable Family Grants, all at different transfer levels, age and eligibility thresholds. This micro-simulation work will inform the study.

PURPOSE

The purpose of this assignment is to develop comprehensive options for medium and long term sources of financing and financing mechanisms for a range of direct income support programmes. This will include an overview of the international literature on social protection financing and an in-depth assessment of domestic and development partner financing scenarios and options.

SCOPE OF WORK

The consultancy will conduct three major strands of work. Each strand of work will be informed by ESP's comprehensive micro-simulation. The following questions will be answered under each strand:

1. Literature review of international experiences in financing social protection activities: this will assess relevant literature on financing social protection. The consultant will inter alia answer the following questions

- What does available literature on social protection financing reveal about potential strategies for financing direct income support¹⁹; and
- How might this inform direct income support financing in Uganda over the short (1-5 years) medium (5-10 years) and long (10+ years) term?
- What are the differences in the Southern Africa model of financing direct income support and the East African model?²⁰

¹⁹ Such as Michael Cichon et al (2009) *Quantitative Methods in Social Protection Series; Financing Social Protection*, other relevant material to be identified by the Consultant

²⁰ This should among others draw from Miguel Nino-Zarazua, Armando David H, and Sam Hickey (2010) *Social Protection in sub-Saharan Africa: Will the green shoots blossom?*

- Assess one country in Southern Africa and one in East Africa to analyse how they have funded direct income support. What are the lessons for Uganda?

2. Feasibility study on potential domestic financing options: The consultants will assess and recommend options for domestic financing of direct income support programmes in Uganda. The consultants will ensure that the options presented are based on the likely trajectories of economic growth and sources of government revenue through various current and potential tax instruments. Different growth and revenue scenarios should also be presented. The following questions will guide the consultants.

Sources:

- What is the current and projected level of GoU revenue over the short (1-5 years), medium (5-10 years) and long (10+ years) term? (periods to be agreed with MoFPED when work has started)
- What impact will the revenue from oil have in terms of increasing the GoU available revenue and the allocation of that revenue? (This will draw on the 'Economics of Oil Revenue in Uganda' Report, DFID, 2012)
- What are the possible sources of social protection financing from domestic revenue including LGs contribution?
- What are the possible social protection financing options in Uganda considering the likely available domestic revenue and borrowing capacity?

Modalities

- How might a joint GoU – development partner financing mechanism work?

3. Assessment of Donor financing options: this will involve working with donors in Uganda.

The consultant will answer the following questions:

Financing Sources & Levels

- Who are the major donors in Uganda and what are the main areas of focus? What determines their choice of modality? What are the expected changes in areas of focus and choice of modality over the medium and long term?
- Which of the major donors in Uganda currently include social protection in their country policies and strategies and what aspects of social protection are they supporting?
- Which donors may consider introducing social protection as a theme in their country policies and strategies?
- What is the current thinking of the existing ESP donors in terms of medium and long term financing levels and modalities for ESP?
- Drawing on the experience of joint donor financing arrangements in other countries, what might be the role of the existing ESP donors in engaging with and building support for social protection financing over the medium and long term? What might be the role of the Local Development Partners Group in ensuring the social protection program in Uganda gets more money for scaling it up?
- What lessons can be drawn from other donor funded sectors, programmes and frameworks such as the health, education, PRDP and KIDDP?

Financing Modalities

- What are some of the possible donor financing mechanisms that Donor agencies would consider adopting? This should include general budget support, targeted budget support; Sector Wide Funding, basket funding, direct project support, multi donor trust funds etc and the work should include identification of conditionalities associated with each one. What would be the most preferred financing modalities by the various agencies and why? Do the donors see their preferred modalities changing over time? Why and how is this likely to change? What are the advantages and disadvantages of each of the financing options? What opportunities do the various financing options have for Uganda's SP programme?

The specific research questions will be reviewed and agreed upon during the inception phase and after the desk review is completed

METHODOLOGY

The methodology will consist of a literature review for the international financing options part of the work, followed by consultations with a range of stakeholders including GoU Ministries, Departments and Agencies and development partners. In addition to the ESP development partners (DFID, Irish Aid, UNICEF), all development partners in the Local Development Partner Group (LDPG) should be consulted. The work will be conducted in close collaboration and consultation with the Ministry of Finance, Planning and Economic Development (further details to be confirmed during the inception phase). This includes in particular the Economic Development & Policy Research Department, the Budget Policy & Evaluation Department, the Directorate of Macro-Economic Policy and the Infrastructure & Social Services Department.

The consultant should draw on financing examples from similar sectors, sub-sectors and programmes in Uganda. Once this has been done the Consultant should ensure that the lessons learned from the international experience are relevant to the Ugandan context

Key resources

The consultants will draw on the following documents to inform the assignment:

- Micro-simulation of the costs and impacts of a range of direct income support programmes – ESP, 2012
- Social Protection Public Expenditure Review, ESP, 2012
- Poverty Trends Report DFID, 2012
- The Economics of Oil Revenue in Uganda. DFID, 2012
- IFPRI (2011) Managing future Oil Revenues in Uganda for agricultural development and poverty reduction. A CGE analysis of challenges and options.
- African Development Bank Group; Domestic Resource Mobilisation for Poverty Reduction in East Africa. Uganda Case study – Regional Department E A (OREA) 2010

In addition the consultants will undertake their own research of relevant literature

Reporting

The consultants will report to the Research and Evidence Coordinator in the Expanding Social Protection Programme who will oversee the day to day management of this consultancy. Technical inputs and quality control will be provided by ESP's Economist.

Deliverables

1. An inception report of no more than 7 pages plus a work-plan detailing how the assignment will be conducted should be submitted within 6 working days after signing the contact. This will be discussed and agreed by the team from ESP.
2. A draft report of no more than 20 pages, excluding annexes. One of the chapters in the report should be on generic literature on financing social protection. The annexes should include a record of consultations.
3. Power point presentations for the workshop to discuss the preliminary findings.
4. A final report of no more than 20 pages, excluding annexes, incorporating reactions obtained from the data validation workshop.

SKILLS AND EXPERIENCE OF THE CONSULTANTS

The skills and experience below are suggested but consultants are free to determine the skills mix and composition of the team. Bids will be assessed against the quality and relevance of the team. The international consultant (who will also be team leader and responsible for procuring, contracting and managing the local consultant) should have skills and experience in;

- Macro- economic analysis and management
- Donor financing with an understanding of donor financing strategies and mechanisms in developing countries
- International social protection financing
- Ability to interact effectively with donors at the highest levels
- Knowledge of the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008)
- An understanding of government budget cycles, MTEF and annual government budget process
- Excellent knowledge on how donor institutions work
- Experience of reviewing/ establishing financing mechanisms for other countries/sectors

The national consultant should have the following skills and experiences;

- Macro- economic analysis and management
- An in-depth understanding of the GOU budget and annual budget process
- In depth understanding of the GOU tax strategy
- Understanding of the social protection issues and debates in Uganda
- Experience of working on a similar project in another sector
- Good knowledge on how donor institutions work

ESP will make arrangements and payments for the validation workshop.

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Unicef, 2009, *Social Protection and Children: Opportunities and Challenges in Ghana*

Unicef, 2009, *Fiscal Space for Strengthened Social Protection: West and Central Africa*

Annex 3: People Met

FIRST PHASE

Kick off meeting at ESP Secretariat 11/2/2013

1. Mr. David Lambert Tumwesigye, Coordinator, Social Protection Secretariat
2. Ms. Jane Namuddu Research and evidence Coordinator, Social Protection Secretariat
3. Ms. Beatrice Okillan, Policy and Learning Manager, Social Protection Secretariat
4. Mr. Stephen Barrett, SAGE Manager, Social Protection Secretariat
5. Mr. Emmanuel Ssewankambo, Institutional Development Expert, Social Protection Secretariat
6. Mr. John Byaruhanga, Senior Economist, Ministry of Finance, Planning and Economic Development

Meeting at Ministry of Finance, Planning and Economic Development

7. Dr. Albert Musisi, Ag. Commissioner, Economic Development Policy and Research Department,

Meeting at Ministry of Gender, Labour and Social Development (MGLSD)

8. Ms. Christine Guwatudde Kintu, Permanent Secretary, MGLSD
9. Ms. Jane Namuddu Research and evidence Coordinator, Social Protection Secretariat
10. Ms. Beatrice Manager, Social Protection Secretariat

Meeting at DFID 12/2/2013

11. Ms. Rachel Waterhouse, Social Development Advisor, DFID/Uganda Office
12. Mr. Simon Kenny, Growth and Resilience, Team Leader
13. Ms. Rita Kyomukama, programme Manager on ESP

Meeting at ESP Secretariat

14. Mr. Emmanuel Ssewankambo, Institutional Development Expert, Social Protection Secretariat

Meeting at ESP Secretariat on 13/2/2013

15. Mr. David Lambert Tumwesigye, Coordinator, Social Protection Secretariat

Meeting at MGLSD

16. Mr. Baryayebwa Herbert, Director, Social Protection, MoGLSD

Meeting at ESP Secretariat

17. Mr. Kasaija Stephen, Head of Social Protection Secretariat, MoGLSD

Meeting at Ministry of Finance, Planning and Economic Development

18. Mr. David Wamai, Principal Economist and Desk Officer, MGLSD

Meeting at ESP Secretariat

19. Mr. Stephen Barrett, SAGE Programme Manager, Social Protection Secretariat

Meeting in Entebbe

20. Mr. Andrew Kettlewell, Finance Director, Social Protection Secretariat
21. Skype with Emily

SECOND PHASE

22. Ms. Christine Guwatudde Kintu, Permanent Secretary, MGLSD
23. Mr. Kasaija Stephen, Head of Social Protection Secretariat, MoGLSD
24. Mr. Andrew Kettlewell, Finance Director, Social Protection Secretariat
25. Mr. David Lambert Tumwesigye, Coordinator, Social Protection Secretariat
26. Ms. Jane Namuddu Research and evidence Coordinator, Social Protection Secretariat
27. Ms. Beatrice Okillan, Policy and Learning Manager, Social Protection Secretariat
28. Ms. Emily Wylde
29. Mr. Stephen Barrett, SAGE Manager, Social Protection Secretariat
30. Mr. Kiiza Lawrence, Director Economic Affairs, Ministry of Finance
31. Ms Maris Wanyera, Commissioner, Macro Economic Policy Department, Ministry of Finance
32. Ms. Joy Gessa, Economist, Macro Department, Ministry of Finance
33. Mr. Lawrence Semakula, Commissioner, Financial Management Services, Ministry of Finance
34. Ms. Rachel Waterhouse, Social Development Advisor, DFID/Uganda Office
35. Mr. Ronald Nyenje Makumbi, Manager, Statistics and Policy Analysis, Uganda Revenue Authority
36. Mr. Okaka Geoffrey Owich, Manager, Corporate Performance Reporting, Monitoring and Evaluation, URA
37. Ms Milly Nalukwago Isingoma, Manager Business Analysis, URA
38. Mr. Kimeze Ag. ED UNRA
39. Mr. John Mpanga Chief Accountant/ Finance Manager, Uganda National Roads Authority
40. Mr. Richard Ssewakiryanga, Executive Director, Uganda National NGO Forum
41. Ms. Beatrice Nabajja Mugambe, ED, Development Research and Training (DRT)
42. Mr. Paul Onapa, DED, Development Research and Training (DRT)
43. Mr. Keith Gristock, Head of Development, Irish Aid
44. Ms Carol Laker, Social Advisor, Irish Aid
45. Hon. Stephen Birawa, Chair National Economy
46. Dr. Sarah Ssewanyana ED, EPRC
47. World Bank
48. EU
49. Unicef
50. PS/MLG
51. Mr. Francis Runumi, Commissioner Planning, Ministry of Health
52. Mr. Arnold Dhatemwa, Commissioner, Planning. Ministry of Education
53. Mr. Daniel Mugulusi, Undersecretary, MGLSD
54. Dr. Robert Limulimu, Director, NUSAFU2
55. Ashaba Ahebwa, Director Finance and Administration, Local Government Finance Commission
56. Adam Babale, Principal Revenue Officer, Local Government Finance Commission
57. James Ogwang, Senior Economist, Local Government Finance Commission