



SECURING PUBLIC INVESTMENT IN SOCIAL PROTECTION

UGANDA BUDGET BRIEF | FINANCIAL YEAR 2023/24

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KEY MESSAGES AND RECOMMENDATIONS

- 1 Social protection is a national priority for the Government, with the National Social Protection Strategy draft completed. However, sector co-ordination remains weak across different levels and across agencies and institutions.

■ **RECOMMENDATION:** It is critical to ensure capacity of all relevant institutions is strengthened to facilitate the implementation of the key priorities in the strategy to ensure expansion in and quality of social protection programming in Uganda.
- 2 Nominal and real spending on social protection on social protection has been steadily increasing over the review period. An increase is projected from Ugx 274 billion in 2022/23 to Ugx 350 billion in 2023/24 but this remains insufficient to meet growing financing needs.

■ **RECOMMENDATION:** The country needs to at least match the Lower Middle Income group average spending of 1.5% of annual GDP, especially through improving coverage of existing programmes, especially the Social Assistance Grant for Empowerment (SAGE), which currently has limited coverage against huge needs because of enrollment challenges.
- 3 Per capital Spending on social protection has remained very low and inadequate due to high population growth. Against the dependent population of below 15 and over 65-year-olds, social protection spending has consistently been below US\$5 per year, though slightly increasing for the period under review.

■ **RECOMMENDATION:** Against the low coverage of social protection interventions, more funding is required to ensure that the country can meet its human development targets set in NDPIII. A doubling of the allocation in the next 3 years will anchor consolidation in the NDPIV.
- 4 Credibility and execution of the social protection budget remain low, though improving for the Ministry of Gender, Labour and Social Development, which experienced an over-release of 29% in 2021/22 and spent all the released resources: The release of resources approved in the annual budget has continued to be sub-optimal for Local Government and the Equal Opportunities Commission (-79% and -9% in 2021/22), respectively. These impact programme implementation over the planning period, resulting in accumulated arrears.

■ **RECOMMENDATION:** There is a need to improve the release of all approved resources on time to facilitate expenditure to meet annual social protection targets.
- 5 Nearly all resources for social protection are spent at the Central Government level (Mostly the Ministry of Gender, Labour and Social Development), with no change expected in 2023/24. Local governments continue to be deprioritized for social protection programme delivery despite being primary agents for programme delivery at the local level.

■ **RECOMMENDATION:** Local governments can play a critical role in social protection programming, including planning, targeting and delivery. A policy shift is necessary to facilitate this and allocate the required resources to capacitate them to support delivery.
- 6 Nearly all resources for social protection are spent at the central government level, with no change expected in 2023/24. Local governments continue to be deprioritized for social protection programme delivery despite them having jurisdiction over development in their areas.

■ **RECOMMENDATION:** Local governments can play a critical role in social protection programming, including planning, targeting and delivery. A policy shift is necessary to facilitate this and allocate the required resources to capacitate them to support delivery.

01 INTRODUCTION

This budget brief examines how the 2023/24 National budget responds to the needs of the Social Protection Sector, building on the recovery registered post COVID-19 pandemic. The budget for social development in Uganda is used as the proxy for social protection spending. The budget lines considered for this analysis are drawn from the following institutions: Ministry of Gender, Labour and Social Development (MGLSD), Equal Opportunities Commission and Local Governments (including KCCA).

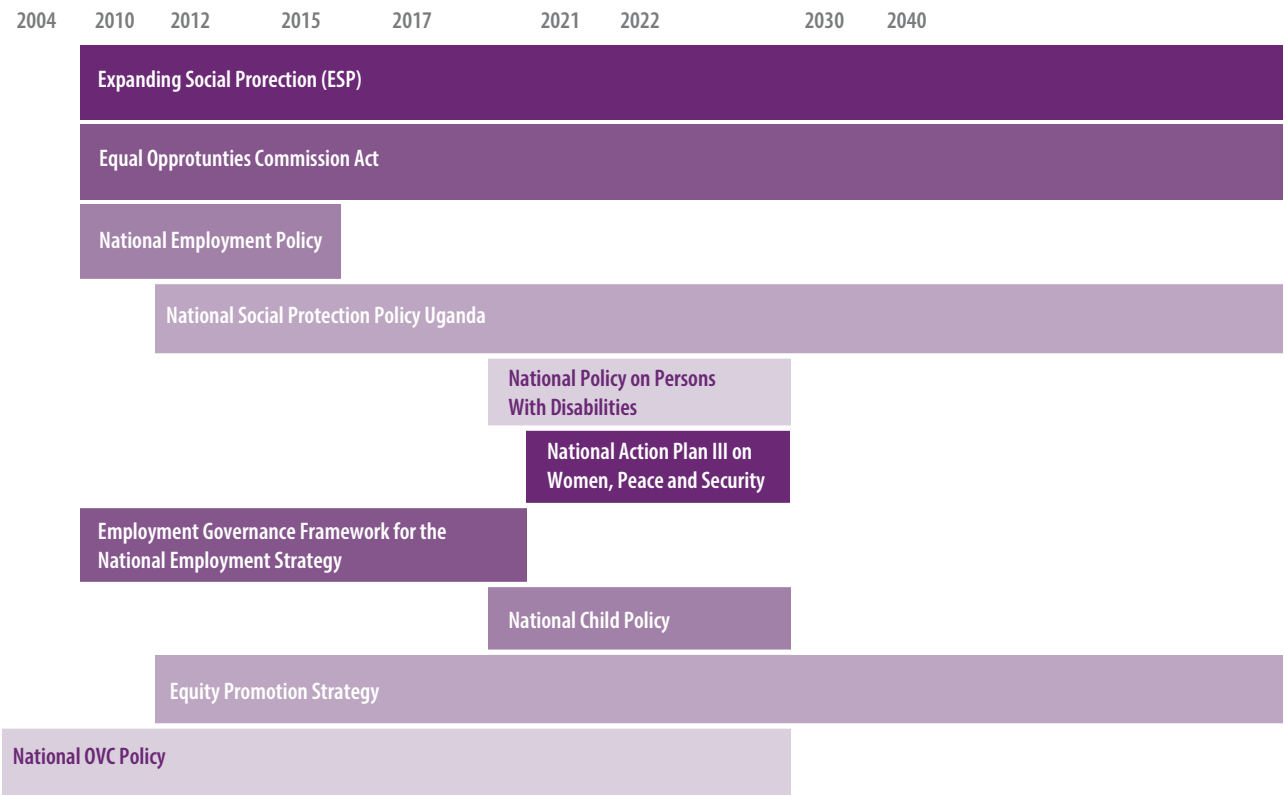
The brief assesses the size and composition of public spending on social development and highlights spending trends, efficiency, effectiveness, equity and adequacy of immediate past spending on social development. The analysis is based on a review of key budget documents, including National Budget Framework Papers (NBFs), Approved Budgets, Expenditure Reports where available, and Supplementary Budgets for financial years 2016/17 to 2023/24. All Figures up to 2021/2022 are based on the figures as included in the Annual Budget Performance Reports, while 2022/23 and 2023/24 are as per the Approved Budget.

02 OVERVIEW OF THE SOCIAL PROTECTION SECTOR

2.1 SECTOR STRATEGIC FRAMEWORK

Social protection is a national priority for the Government of UgandaThe promulgation of the National Social Protection Policy in 2015 provided a framework for sector co-ordination as well as profile social protection as a critical pillar in the nation’s development agenda. The policy defines social protection in Uganda as a system that is comprised of two pillars: social security and social care and support services. Social security is defined as protective and preventive interventions to mitigate factors that lead to income shocks and affect consumption. On the other hand, Social Care and Support Services are a range of services that provide care, support, protection and empowerment to vulnerable individuals who are unable to care for themselves entirely. The country’s National Development Plan III also acknowledges the importance of Social Protection and sets clear targets on expansion coverage and necessary reforms.

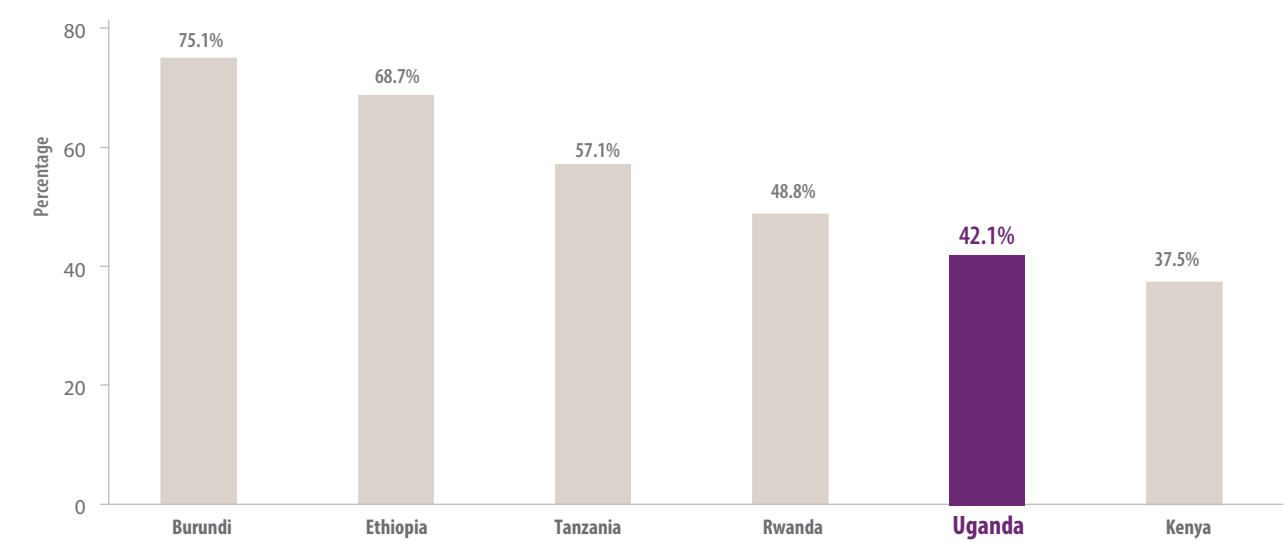
TABLE 1 SOCIAL PROTECTION POLICY FRAMEWORK



Source: Various MGLSD Documents

Uganda and the majority of East African Communities continue to experience a huge burden of multi-dimensional poverty, which has elevated the role of social protection. The East African Region still faces huge challenges with high poverty prevalence. Burundi remains the most impacted country, with 75.1% of its population experiencing multi-dimensional poverty. Though Uganda ranks only second to Kenya on Multi-dimensional Poverty prevalence, 44% of the country’s population is still multi-dimensionally poor (see Figure 1)

FIGURE 1 MULTI-DIMENSIONAL POVERTY PREVALENCE¹



Source: Global Multidimensional Poverty Index 2023²

However, the population had a coverage of less than 3% for at least one social protection benefit prior to the COVID-19 pandemic, which is well below the African average of 17.8%, despite the improving policy environment. Only 5% are covered by social insurance schemes, 3% by health insurance, and less than 1% receive direct income support. In addition, only 11% of the workforce is covered by formal pension arrangements. Poverty remains high and disproportionate amongst regions and gender, leading to stark inequality, with the Gini coefficient above 0.4 and at least 39% of the population in the subsistence economy, thus putting into question Uganda’s ability to meet SDG targets by 2030. 3.5% and 7.5% of children 2-4 years and 15-17 years live with disabilities, with no target social protection intervention. 44% of all the country’s children are still multi-dimensionally poor, with deprivations in access to education, health, WASH and other essential social services, with most lacking access to essential school feeding.

KEY TAKEAWAYS

- The Social Protection Sector in Uganda, though having a number of policies, still faces many challenges, especially on coverage, extension and adequacy.
- The high multi-dimensional poverty that remains high in Uganda requires more concerted efforts on social protection, to ensure inclusion of all vulnerable community members

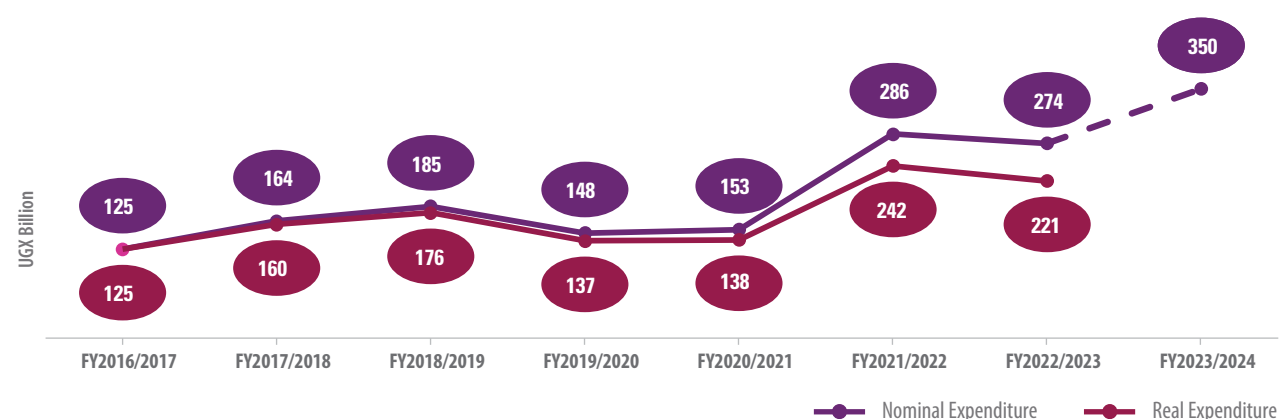
1 Data for each country is as follows: Burundi 2016/17, Ethiopia 2019, Tanzania 2015/16, Rwanda 2019/20, Uganda 2019/20, Kenya 2014.
2 2023 Global Multidimensional Poverty Index (MPI), <https://hdr.undp.org/content/2023-global-multidimensional-poverty-index-mpi#/indicies/MPI>

03 SOCIAL PROTECTION SPENDING TRENDS

3.1 NOMINAL AND REAL SECTOR SPENDING TRENDS

Nominal and real spending on social protection has been steadily increasing over the review period. In nominal terms, social protection improved from UGX125 billion in 2016/17 to UGX185 billion in 2018/19 before dipping to UGX148 billion in 2019/20. Despite reaching a peak of UGX286 billion in 2021/22, mainly in response to interventions related to the COVID-19 response, the social protection nominal budget declined to UGX274 billion in 2022/23. However, it is expected that the social protection nominal budget will recover to UGX350 billion in 2023/24. Real Budgets also followed the same trend, reaching a peak of UGX286 billion in 2021/22 and declining to UGX221 billion in 2022/23 (see Figure 2).

FIGURE 2 NOMINAL AND REAL SPENDING ON SOCIAL PROTECTION, FY 2016/17 TO 2023/24

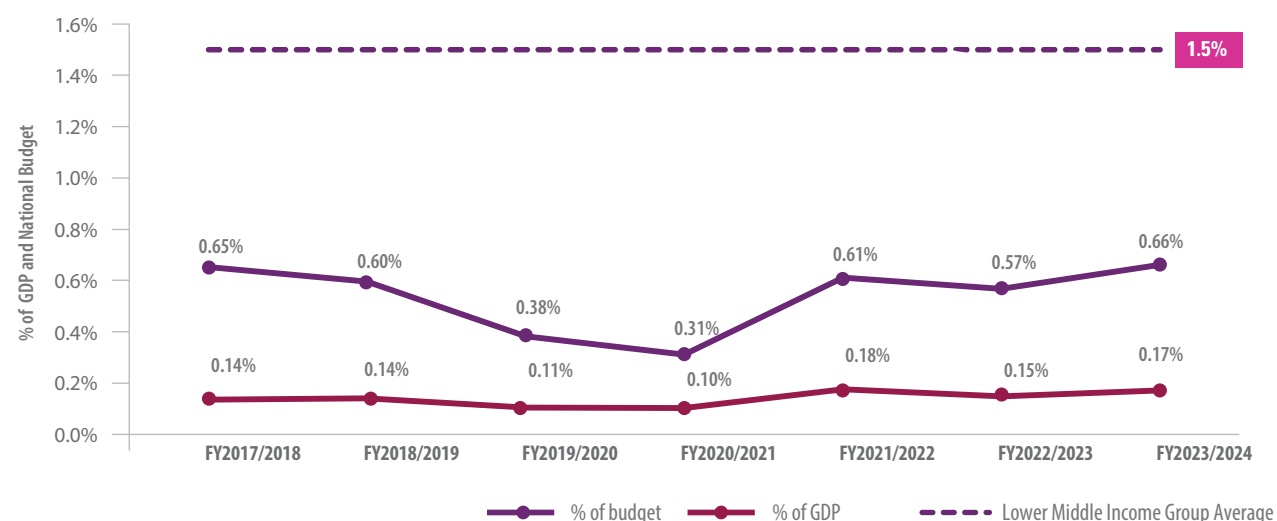


Source: Ministry of Finance, Planning and Economic Development

3.2 SPENDING AGAINST INTERNATIONAL TARGETS

Social Protection spending in Uganda is lower than international targets. Uganda has been spending substantially below international targets as a percentage of GDP and the total national budget, mainly due to slow growth in the social protection sector. Figure 3 below summarises the situation for the past 7 years.

FIGURE 3 SOCIAL PROTECTION SPENDING AGAINST INTERNATIONAL TARGETS



Source: Ministry of Finance, Planning and Economic Development

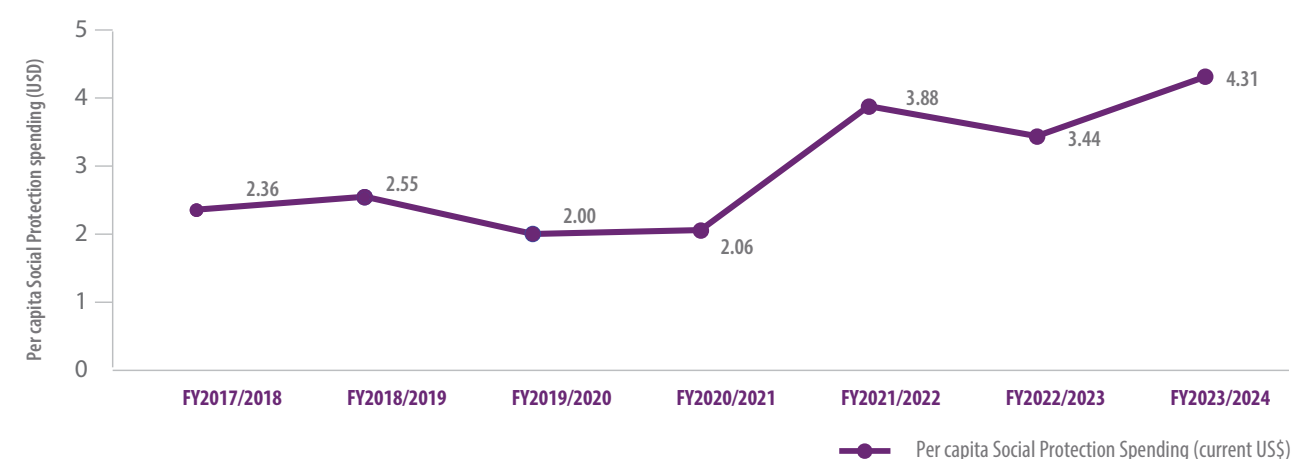
As shown in the Figure above, Uganda has been spending less than 1% of both GDP and the National Budget. Between 2017/18 and 2019/20, social protection spending declined from 0.65% of the Annual Budget to 0.38%, mainly due to increases in the overall budget against a generally constant social protection budget. Though this recovered slightly, the 2023/24 Budget estimates social protection spending at 0.66% of the total National budget, a level that is a recovery to 2017/18 levels but still way below the needs (see Figure 3)

As a proportion of GDP, Uganda spends way less than the Lower Middle Income Group average of 1.5% of annual GDP³. In 2023/24, social protection spending is estimated at 0.17% of GDP, slightly up from 0.15% in 2022/23 but way below the expected levels. This level of spending puts Uganda as one of the lowest spenders, with limited coverage of social protection across the life cycle.

3.3 PER CAPITA SOCIAL PROTECTION SPENDING

Per Capita, spending on social protection has remained very low over the review period. Spending on social protection has never exceeded \$5 per person per annum. Between 2017/18 and 2020/21, social protection spending per capita remained below \$3 and slightly declining. However, this trend improved in 2021/22, with an expenditure of \$3.88, which is now projected at \$4.31 in 2023/24 (see Figure 4), mainly because of an increase in external financing through the GROW Project⁴, a social protection programme which will support a multi-sectoral program of customized services that empower women entrepreneurs and transition their enterprises, from micro to small and, from small to medium, as well as improve their productivity.

FIGURE 4 PER CAPITA SPENDING ON SOCIAL PROTECTION



Source: Ministry of Finance, Planning and Economic Development

As shown in Figure 4 above, this level of spending remains very low, with limited impact on the poor and vulnerable, with exclusion errors in the main programmes regarding the covering disability and elderly.

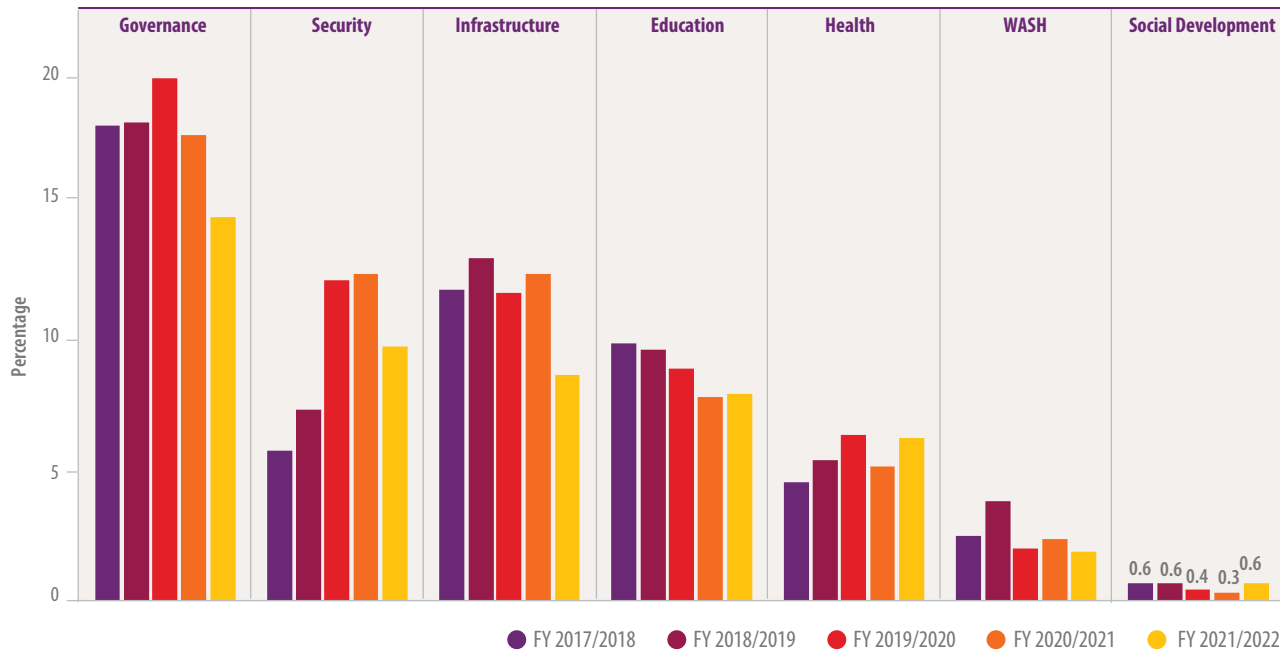
3.4 SOCIAL PROTECTION INVESTMENT PRIORITY

Between 2017/18 and 2021/22, social protection received the highest proportion of only 0.6% of the total annual budget, with the least of 0.31% in 2020/21, possibly attributable to the impact of the COVID-19 pandemic, which boosted other sectors like health and security spending, against constant social protection spending due to targeting challenges. Figure 5 below summarises the prioritization of the budget by sector.

³ World Bank cross-country Comparisons, 2015 comparison <http://documents.worldbank.org/curated/en/415491467994645020/pdf/97882-PUB-REVISED-Box393232B-PUB-LIC-DOCDATE-6-29-2015-DOI-10-1596978-1-4648-0543-1-EPI-1464805431.pdf>, Page 23

⁴ <https://blogs.worldbank.org/african/strengthening-ugandas-economic-growth-support-women-entrepreneurs#:~:text=The%20new%20Generating%20Growth%20Opportunities,well%20as%20improve%20their%20productivity.>

FIGURE 5 NATIONAL BUDGET PRIORITISATION BY SECTOR.



Source: Ministry of Finance, Planning and Economic Development

KEY TAKEAWAYS

- The increase in both nominal and real expenditures on social protection, was the fastest between 2020/21 and 2021/22, is a positive development that could in future, if sustained, position the country to reach more vulnerable communities.
- Against the dependent ages of less than 15 years and older then 65 years, Uganda has not been able to spend more than 5% over the period under review, which results in many exclusion errors under the current government led programmes
- The least prioritisation of the social protection sectors needs reconsideration to ensure annual spending goes beyond 1% current spending level

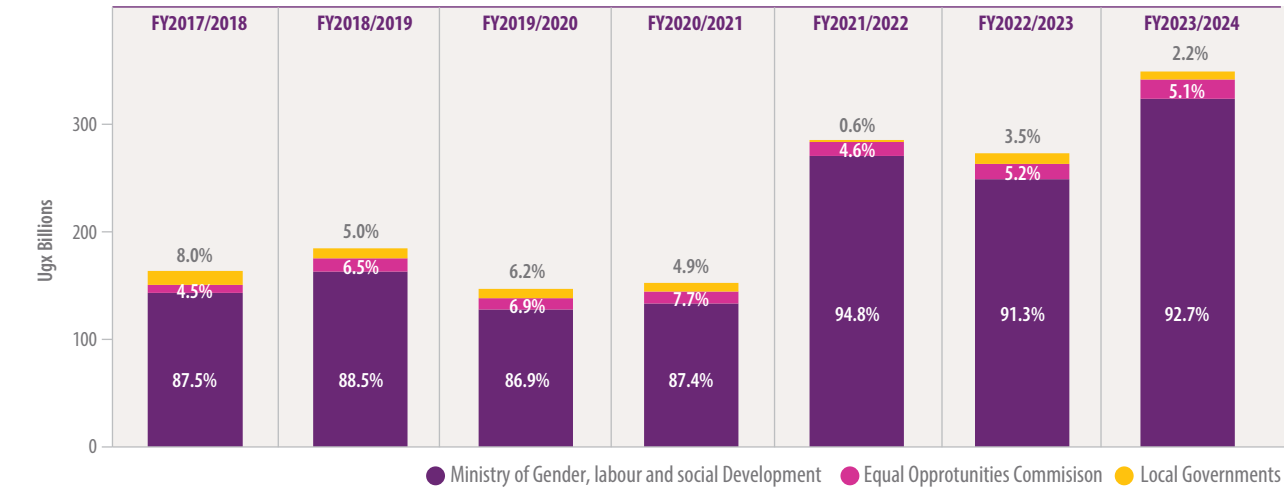


04 COMPOSITION OF SOCIAL PROTECTION SPENDING

4.1 SPENDING BY INSTITUTION

Mainly, three main institutions - the Ministry of Gender, Labour and Social Development (MGLSD), Equal Opportunities Commission, and Local Governments (including KCCA) - account for the spending on social protection in Uganda. Figure 6 below provides a summary of the social protection budget.

FIGURE 6 SOCIAL PROTECTION SPENDING BY INSTITUTION



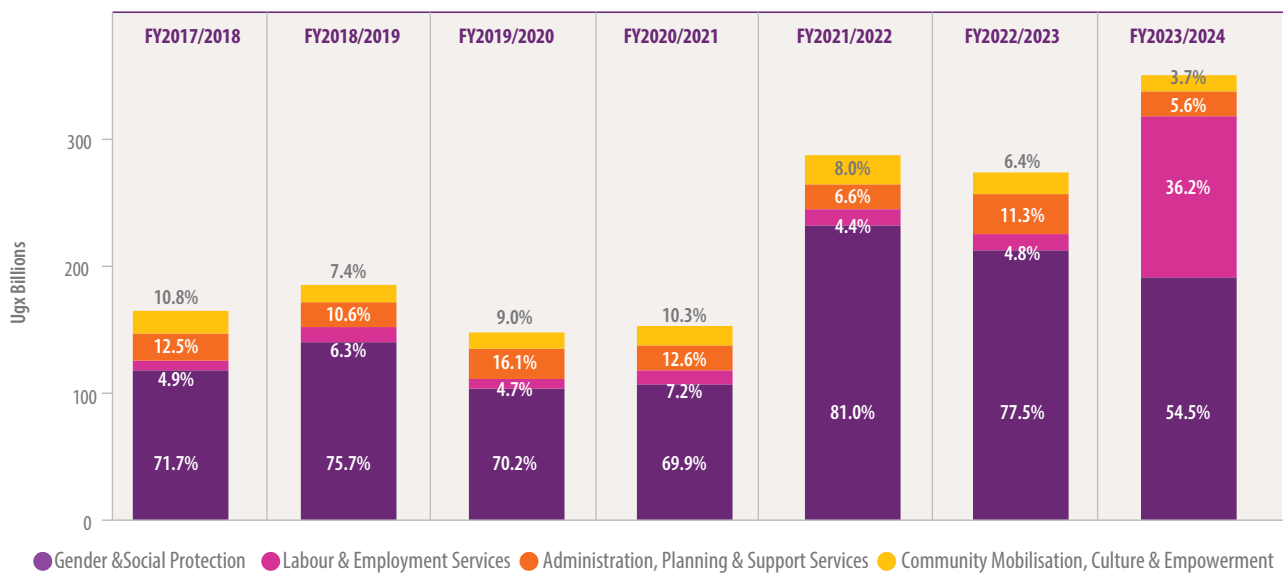
Source: Ministry of Finance, Planning and Economic Development

Figure 6 above shows that the Ministry of Gender, Labour, and Social Development spends the bulk of the resources for social protection, accounting for 92.7% of the sector’s allocation in 2023/24. Since 2019/20, Local Governments have been receiving the least budget for social protection, with only 2.2% of the social protection budget allocated to them in 2023/24.

4.2 SPENDING BY PROGRAMME.

The Ministry of Gender, Labour and Social Development’s Gender and Social Protection Programme receives the highest social protection funding, but it is projected to decline to 54.5% from 81% and 77.5% in 2021/22 and 2022/23 respectively (see Figure 7).

FIGURE 7 SOCIAL PROTECTION SPENDING BY PROGRAMME



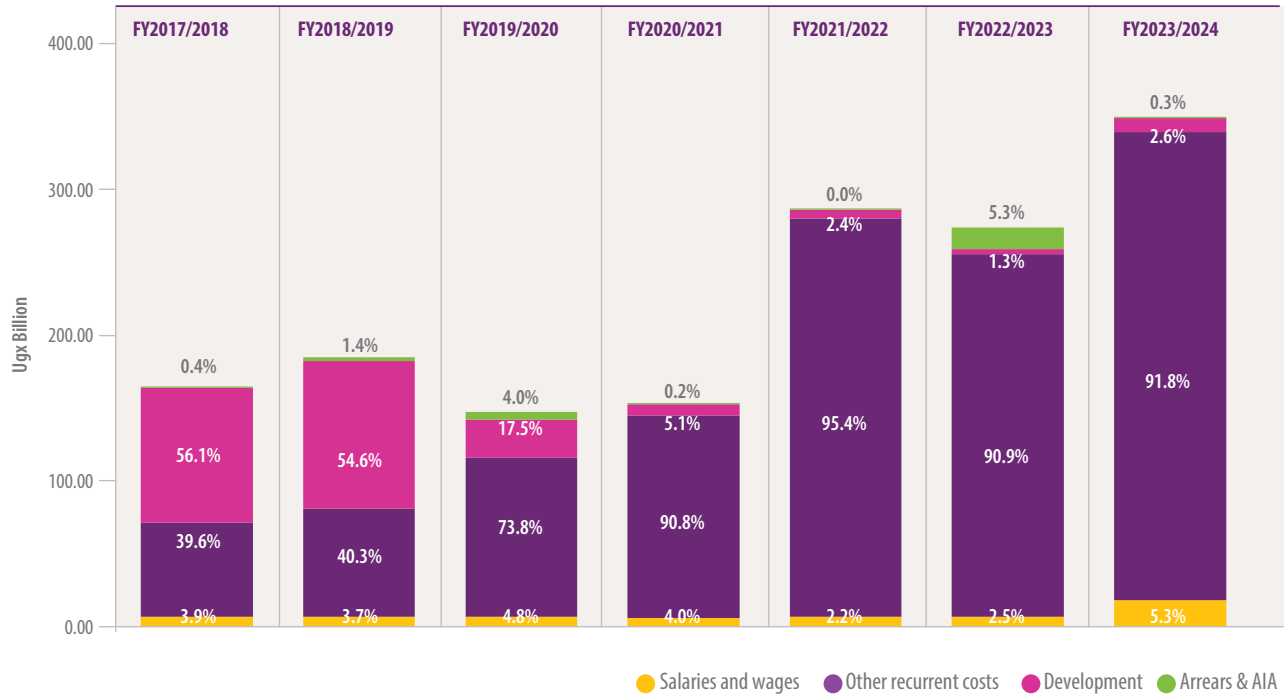
Source: Ministry of Finance, Planning and Economic Development

The trend shown above is aligned with the impact of the SAGE programme, which falls under the Gender and Social Protection Programme of the Ministry of Gender, Labour and Social Development. However, the 36.2% approved budget for 2023/24 results from the GROW Project, funded by external financing through the World Bank, amounting to UGX121billionUGX121 billion.

4.3 SPENDING BY ECONOMIC CLASSIFICATION

Non-wage recurrent expenditures dominate spending for social protection due to the nature of social protection spending as a social transfer. Figure 8 below provides a summary of the spending by economic classification. Due to the nature of social protection, the bulk of the expenditures are through non-wage recurrent, which accounts for the cash transfers under the SAGE programme. The Grow Programme, funded by the World Bank, also further enhanced this, funding mostly recurrent expenditures. Annual arrears have been experienced due to disbursement patterns, but it is projected to be lower in 2023/24 than it has been since 2021/22.

FIGURE 8 SOCIAL PROTECTION SPENDING BY ECONOMIC CLASSIFICATION



Source: Ministry of Finance, Planning and Economic Development

KEY TAKEAWAYS

- Spending for social protection through the Ministry of Gender, Labour and Social Development, the Equal Opportunities Commission and Local Governments results in a narrow distribution of social protection programmes, thus excluding potential reach across categories of the vulnerable.
- Expenditure of more than half of the budget through the Gender and Social Protection Programme under the MoGLSD excludes the roles of local governments in social protection programme delivery.
- For the first time in the review period, the Labour and Employment services Programme budget accounted for more than a 3rd of total social protection spending, which broadens the scope of social protection programmes in the country.

05 BUDGET CREDIBILITY AND EXECUTION

Overall, Budget Credibility remains a challenge for all institutions. Except for the Ministry of Gender, Labour and Social Development in 2021/22, Budget Credibility remains an immense challenge for Uganda. Since 2017/18, the Ministry of Gender, Labour and Social Development, and local governments have experienced lower releases than approved budgets, with the Equal Opportunities Commission only receiving more than the budget for 2017/18. As planning depends on budget releases, lower-than-planned releases negatively impact programme delivery, especially on SAGE which resulted in the accumulation of arrears over the years.

FIGURE 9 BUDGET CREDIBILITY BY INSTITUTION

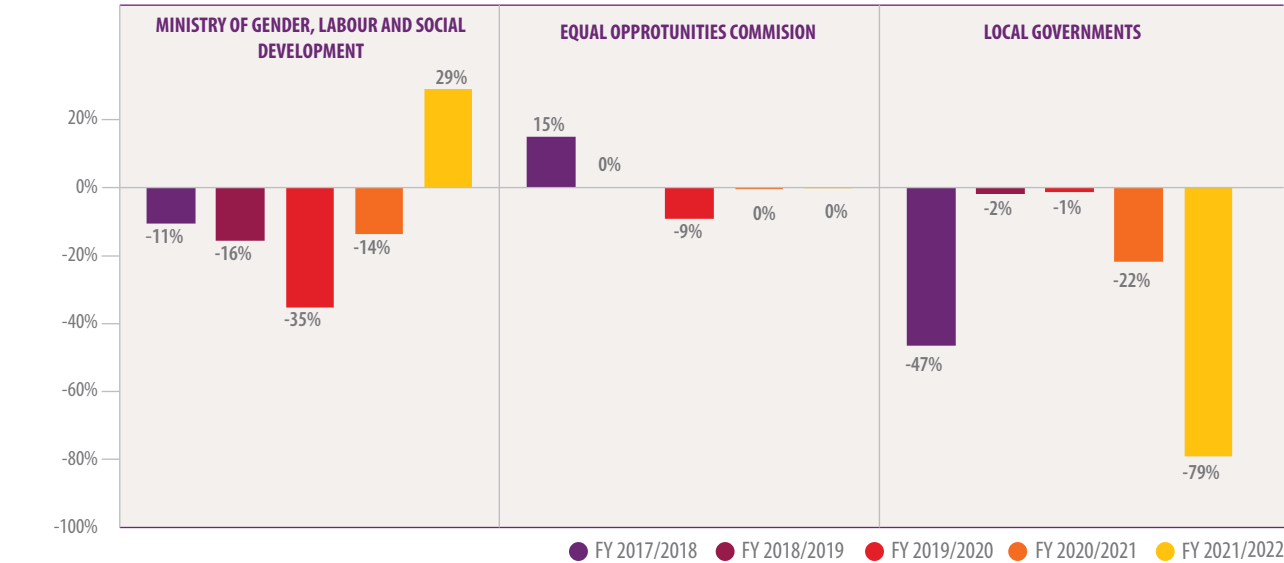
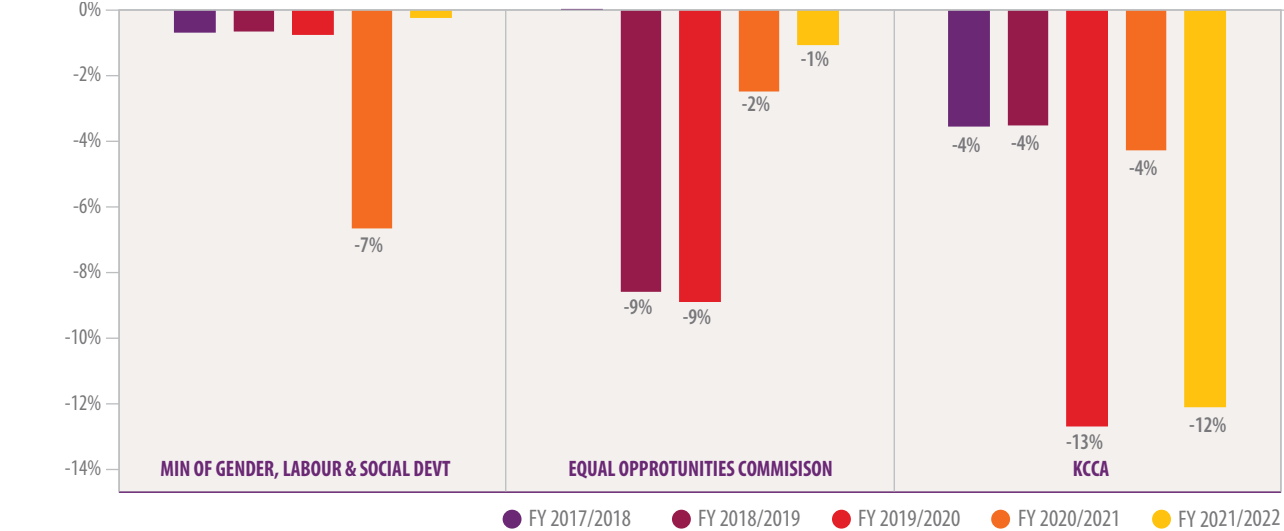


FIGURE 10 BUDGET EXECUTION BY INSTITUTION



Source: Ministry of Finance, Planning and Economic Development

Execution of the Budget also remains a challenge for Uganda for the years under review. By institution, the Kampala Capital City Authority is most impacted. Expenditure was most sub-optimal in FY 2019/20 and FY 2021/22, where expenditure was -13% and -12% of the released resources respectively. The Equal Opportunities Commission was most impacted in 2018/19 and 2019/20, where -9% of available resources were spent. In the Ministry of Gender, under expenditure was mostly in 2020/21, a period that coincided with the COVID-19 outbreak, where more than anticipated resources were released while the system was not ready (see Figures 9 and 10).

On the other hand, external financing has been the most significant contributor to poor budget credibility over the years. Releases on external financing against approved budgets for all the years under review remained sub-optimal (see Figure 11). Parliament did not approve the Donor Development budget, which was a major contributor to poor budget credibility over the years⁵.

FIGURE 11 BUDGET CREDIBILITY BY ECONOMIC CLASSIFICATION

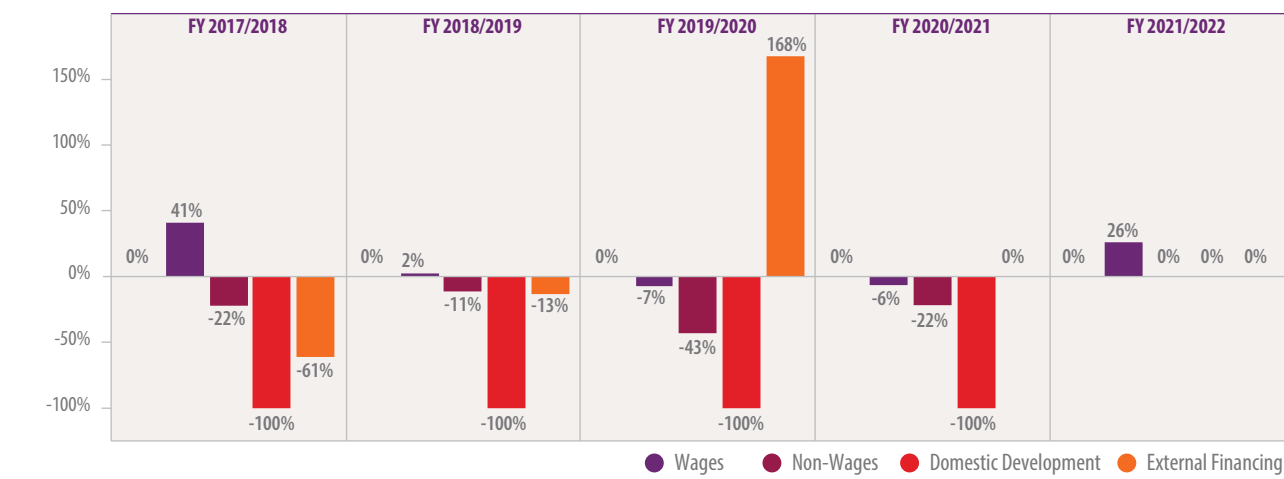
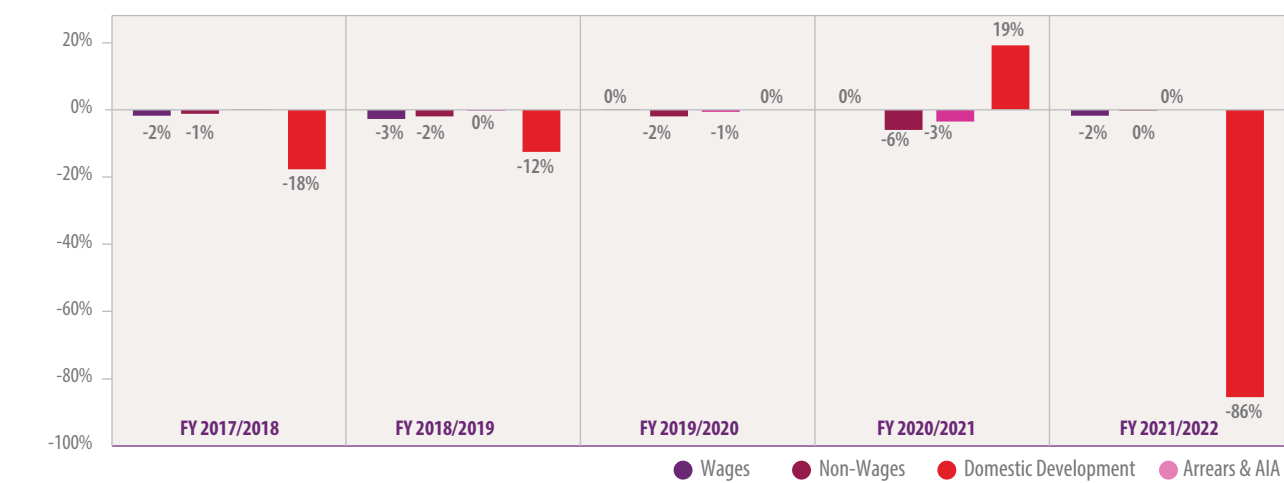


FIGURE 12 BUDGET EXECUTION BY ECONOMIC CLASSIFICATION



Source: Ministry of Finance, Planning and Economic Development

Except in 2020/21, where arrears expenditure was more than the approved budget, wages, non-wage recurrent, and domestic financing all spent less than released resources (see figure 12), majorly due to the inadequate non-wage recurrent cash limit for the programs to carry out their mandates, no funds for enterprises (youth) and no institutional support for UWEP in the Local Governments.

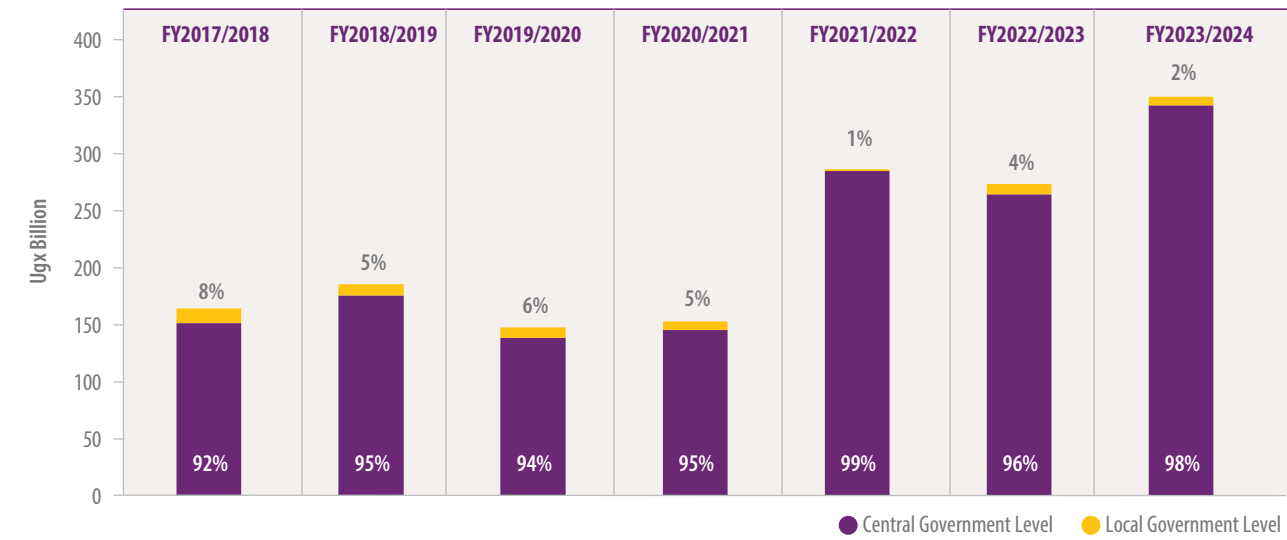
KEY TAKEAWAYS

- Weak budget credibility continues to be a challenge, impacting programme delivery, leading to arrears accumulation for some programmes and limiting programme expansion.
- The low spending against released resources impacts in more eligible beneficiaries being unable to receive social protection benefits at the right time.

06 DECENTRALIZATION AND SOCIAL PROTECTION FUNDING

The funding for social protection primarily favors expenditures at the National level. Social Protection spending is mainly through the central government, with very few resources managed at the local government level, with local government (including KCCA) perpetually allocating and spending negligible amounts of resources. The highest amount of social protection resources spent at Local government level was in 2017/18 when 8% (UGX13.17 billion) of total spending was at the Local government level. The situation is worse in the 2023/24 Approved budget, with only 2% (UGX7.64 billion) earmarked for spending at the local level, down from 4% (UGX9.69 billion) in 2022/23, mainly on account of the GROW Programme, managed at the central level.

FIGURE 13 NATIONAL VS LOCAL GOVERNMENT LEVEL SPENDING.



Source: Ministry of Finance, Planning and Economic Development

The situation shown in Figure 13 requires more attention to ensure the responsiveness of social protection spending to local needs if financing is targeted at sub-national level.

KEY TAKEAWAYS

- The observed trend where nearly all resources for social protection are spent at the central government level, results in local governments continuing to play a peripheral role in delivering social protection programmes.



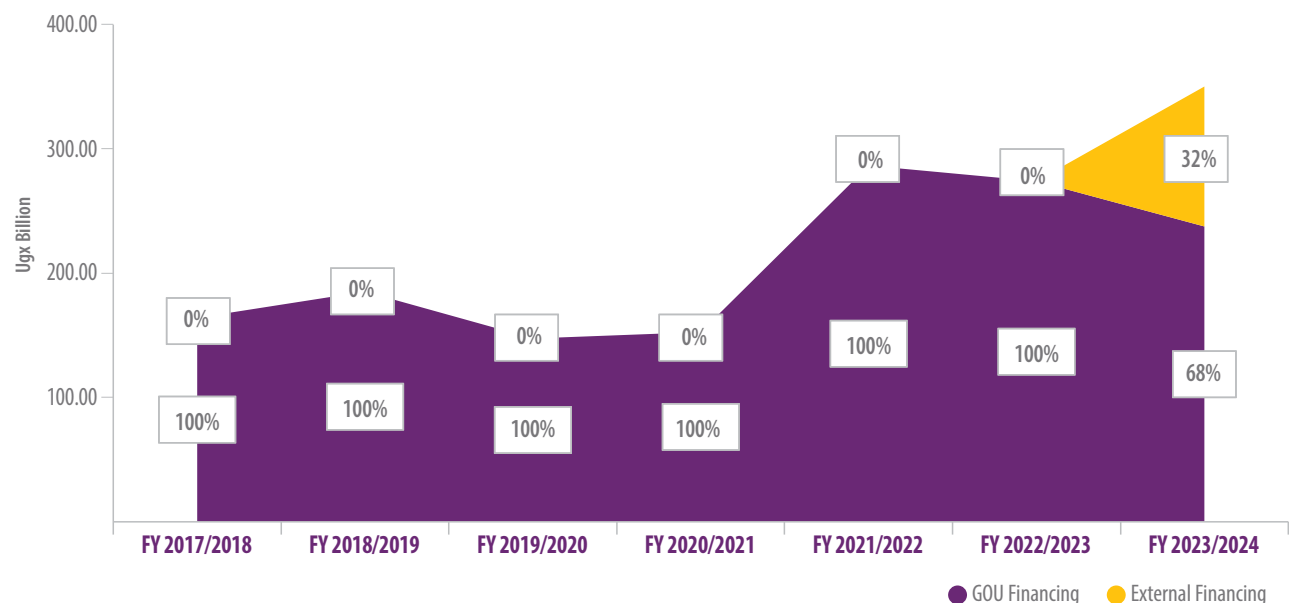
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5 The Annual Budget Performance Reports, Vote:018-Ministry of Gender, Labour, and Social Development.

07 SOCIAL PROTECTION FINANCING

On-budget financing for social protection is mainly from the Government of Uganda Resources. For the first time since 2017/18, social protection will receive external financing support of UGX112 billion on budget, amounting to 32% of the approved social protection budget. This is funding from the World Bank for the GROW programme, a social protection intervention targeting women enterprises across Uganda.

FIGURE 14 SOCIAL PROTECTION FINANCING



Source: Ministry of Finance, Planning and Economic Development

The situation shown in Figure 14 results from the channeling of social protection resources off-budget by most development partners. This situation requires extensive sector co-ordination to ensure the complementarity of efforts for effective delivery.

KEY TAKEAWAYS

- The lack of balance in funding sources for social protection financing requires careful consideration to ensure consistent programme financing, through avoiding over-reliance on one income stream.





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