POLICY BRIEF
NO. 3 JANUARY 2017

Investing in Social Protection in Uganda: The case for the expansion of the Senior Citizens' Grant

Older persons

INTRODUCTION

This Policy Brief is part of a series and is based on the Social Protection: Investment Case developed by the Government of Uganda (2016). The business case was developed over one and a half years and rests of the best available data available at the time of drafting. Recently released GDP figures may significantly reduce the projected cost of scaling up some of the interventions proposed in the Investment Case.

1. Older Persons in Uganda are particularly vulnerable

Senior citizens represent a vulnerable group in Uganda. For one they face economic constraints: approximately 85% of active older people engage in crop farming which is insufficient to provide a regular, stable income, and have no social security[1]. In addition, 85% of older persons in rural areas live in chronic poverty.[2] Older citizens also face challenges due to disability as 66.8% of people above 60 have at least some difficulty in functional areas such as hearing, seeing, or others.[3] Furthermore, their educational attainment is relatively low, with only 15.6% having completed either primary school or higher education levels.[4] The impairments of older persons can affect future generations as older persons often have the task of caring for children. Nearly 50% of orphaned grandchildren stay with their grandparents.[5] When the elderly have to care for a child it puts further strain on their resources but it also affects the child as the vulnerability of their caregiver makes it more likely for them not to receive the support they need. Older persons are worst hit by food insecurity and poor nutrition. They mainly feed on carbohydrates and take only one meal a day. This has pre-disposed them to malnutrition, ill health, emaciation, and chronic energy deficiency.[6] A universal social protection intervention specifically targeting older persons is an effective way to address the particular vulnerabilities that older persons face and ensure that they can live their life in dignity.

2. Policies, laws and programmes for older persons

The Government of Uganda recognises that as people reach old age, they should continue enjoying dignified lives through active participation in economic, social, cultural, and political spheres. This has been done through putting in place affirmative actions to address

1. Commissioner of Disability and Elderly Affairs. (2013). Promotion of Human Rights of Older Persons in Uganda.
2. The Aged Family Uganda. (2008). Case Study on the older persons of Uganda.
3. Uganda Bureau of Statistics. (2012). Uganda Demographic and Health Survey 2011. Kampala: Uganda Bureau of Statistics.
4. Ibid., p. 24
5. The Aged Family Uganda. (2008). Case Study on the older persons of Uganda.
6. Ministry of Gender, Labour, and Social Development. 2009. National Policy for Older Persons: Ageing with Security and Dignity. Kampala, Uganda: Ministry of Gender, Labour and Social Development; 2009.

their needs as well as to eliminate all forms of neglect, abuse and violence against them. Rights-based policies, laws, and programmes have been developed for older persons. The Constitution of Uganda under its National Objectives and Directive Principles of State Policy stipulates that; "The State shall make reasonable provision for the welfare and maintenance of the Aged."

Uganda adopted the National Policy for Older Persons in 2009 that calls for equal treatment, social inclusion, and provision of livelihood support for older persons. The policy identifies the provision of direct income support and social insurance as key social protection instruments for addressing the needs of older persons. In March 2016, the Government launched the **National Social Protection Policy (NSPP)** which recognises the need for social protection interventions for the senior citizens in the country. More on this Policy is included in Text Box 1.

The Ministry of Gender, Labour and Social Development (MGLSD) through the department of Disability and Elderly is mandated to promote and protect the rights of older persons. However, there has been a lack of comprehensive specific older persons programmes established, and a large implementation gap remains. The Government has a few programmes but these are grossly limited in terms of reach compared to the need. With support from Development Partners, the government is currently implementing a Senior Citizens Grant, a social protection intervention in the form of a direct income support for older persons.

3. The Senior Citizens' Grant (SCG) and its impact to date

Since 2010, the Ministry of Gender, Labour and Social Development (MGLSD) has been implementing the Senior Citizens' Grant (SCG) targeting older persons with support from Development Partners. It is an unconditional cash transfer aiming to reduce the intergenerational transmission of poverty, providing income security to older persons, and simultaneously guaranteeing access to health care and education for children.[7]

The SCG is part of the broader Social Assistance Grant for Empowerment (SAGE) programme, a pilot originally implemented in 14 out of 112 districts in Uganda.[8] In August 2015, the Government decided to roll out the SCG, allocating 9 billion UGX for the fiscal year 2015/2016 and committing 149 billion UGX for the next 5 years. The goal is reaching 55 districts by 2020.[9] The government will roll out the programme in a phased manner, starting with 20 new districts between 2015 and 2016 and adding 5 new districts every subsequent year. In the roll-out, only the 100 oldest beneficiaries will be registered in each sub-county for the first five years. A gradual increase in enrolment will lead to full coverage of everyone over 65 in a ten year period.[10]

The Senior Citizens Grant has had a positive impact

Between 2009 and 2013, the SCG generated positive impacts on a wide range of outcomes according to the results from the ex-post analysis (comparing SAGE and non-SAGE districts). Some of the main impacts highlighted by the report include:

Text Box 1: Social Protection in Uganda

The National Social Protection Policy defines social protection as "public and private interventions to address risks and vulnerabilities that expose individuals to income insecurity and social deprivation, leading to undignified lives". In the Ugandan context, it is comprised of two pillars: social security and social care and support services. Social security refers to protective and preventive interventions to mitigate factors that lead to income shocks and affect consumption whereas Social Care and Support Services are a range of services that provide care, support, protection and empowerment to vulnerable individuals who are unable to fully care for themselves.

The Policy provides a framework for putting in place the comprehensive social protection system that caters for diverse categories of the population. This is mainly because vulnerabilities faced by certain categories of the population such as older persons, children, youth, women and persons with disabilities do not only directly impact on their livelihoods but also slows national development.

Therefore, designing and implementing specific social protection instruments that address the particular risks and vulnerabilities faced by certain categories of population mentioned above brings them to the vanguard of development and enhance their contribution to the development process.

Food security and Nutrition: SAGE led to a decrease in the ratio of households with fewer than two meals per day by more than 11 percentage points.[11] In the short run, the programme contributed to an increase in weight-for-height for children under five.

Education: SAGE had positive impacts on school attendance, expressed as the ratio of children in primary or secondary school out of the total number of children in the age range 5-17 in the population as a whole. SAGE districts experienced more than 22 percentage points' increase between 2009 and 2013. SAGE alone accounted for an increase in the ratio of children attending either primary or secondary school of more than 14 percentage points. Districts that benefited from the programme have experienced an increase in this ratio by 14 percentage points, 7 of which can be attributed to SAGE.[12]

Employment opportunities: The employment rate for individuals between 18 and 64 years old between 2009 and 2013 increased significantly more in SAGE districts than in non-SAGE districts. The programme accounted for approximately 6 percentage points of the overall employment.

Wages: Median wage for districts not affected by the programme dropped significantly between 2009 and 2013whereas in SAGE district

7. About 15% of Ugandan children live under the protection and responsibility of older persons (MGLSD, 2015)

8. The Yumbe district was included in the pilot subsequently, in 2014.

9. MGLSD, A Newsletter of the Expanding Social Protection Programme, 2015, p. 2

10. MGLSD, A Newsletter of the Expanding Social Protection Programme, 2015, p. 4

11. The t-statistic relative to this estimator is -1.97, indicating a statistically significant effect.

12. The t-statistic for the effect of SAGE of primary and secondary school attendance is 1.64. When considering only the narrower pool of children between 7 and 12 years old the t-statistic falls to 1.26.

13. MGLSD. (2014). Expanding Social Protection. Tratto il giorno 02 15, 2016 da http://www.socialprotection.go.ug the net positive effect of SAGE on median wage (or productivity) is 80% as per the analysis.

The SCG does not only benefit the recipient, but also has a positive impact on children and other members in the household.[13] First, money is devoted to the needs of others such as school utensils of children.[14] Secondly, family members who need to tend to a poor or disabled older person are relieved of some of that responsibility if that person receives the resources to care for himself. Lastly, the prospect of a pension can have a positive effect on the economic behaviour of people during their work life. The certainty of being cared for, when reaching old age, enables them to take more risks which can in turn enhance earnings. As such, it is expected that the national roll-out of the SCG will have a positive impact not only on the direct beneficiaries but also on their immediate household members The roll-out can extend the aforementioned beneficial effects to the entire nation.

4. What would the roll out of the SCG look like?

Who is eligible?

The Senior Citizens' Grant is limited to citizens above 65. In the Karamoja region, due to higher levels of poverty and insecurity, the eligibility threshold is set to 60 years. More than 1.1 million older persons will be eligible to receive the SCG at a national level once full coverage is achieved. This corresponds to 3% of Uganda's population. Beneficiaries receive a monthly grant of 25,000 UGX (2013 value) per month. A phased roll out plan will ensure gradual implementation, reaching full scale linearly over a 5-year timespan (in 2022). In addition, after accounting for inclusion and exclusion errors, perfect take up is assumed: 100% of eligible individuals will eventually take up the grant.[15]

What are the expected outcomes?

With an estimated beneficiary pool of approximately 1.1 million senior citizens, Table 1 shows that the SCG is likely to increase household income, shrink the poverty gap by over 4.3 billion UGX, and lift roughly 433,500 people above the poverty line, if implemented nation-wide.

Table 1: National Rollout of the SCG. Results

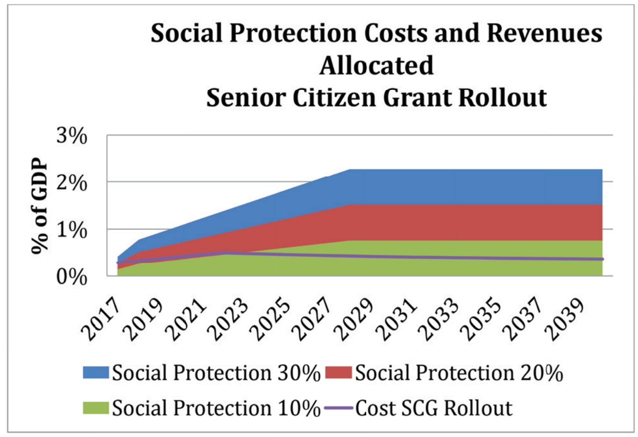
National Rollout of the Senior Citizens Grant	
Beneficiaries	1,113,954
Total Cost	381 billion UGX
Reduction in the Poverty Gap[16]	8%
Reduction in the Poverty Headcount[17]	6%
Efficiency	14%

Source: Social Protection: Investment Case, (GoU, 2016)

What is the expected cost and effectiveness?

The total cost of implementing the grant at full scale equals roughly 381 billion UGX per year. This cost is based on the assumption that during the expansion of the programme, roll-out costs replace the initial set-up costs that SAGE faced in the pilot phase. Although it is likely that over time, administrative costs decrease (for example, when the roll-out phase is concluded), the analysis maintains 14% mark-up constant, in order to always provide an upper-bound for costs and to avoid any under-estimation.

Figure 1: SCG - Long-Run Costs and Fiscal Space



Source: Social Protection: Investment Case, (GoU, 2016)

Considering the gradual roll out of the Senior Citizens Grant, costs will rise from a base of roughly 0.3% of GDP in 2017 to a maximum of roughly 0.5% of GDP in 2022, when full-take up is reached, before gradually declining over time (Figure 1).

Even after adjusting the grant amount yearly for inflation and revisiting the number of beneficiaries upwards as a result of existing population dynamics, in the long-run economic growth is expected to outweigh any prospect of fiscal burden.

Evidence shows that social protection interventions in the form of direct income support such as the SCG are inherently affordable even among low and middle-income countries. Figure 1 depicts the long run costs of the national rollout of the existing Senior Citizens' Grant vis-à-vis the resources available to social protection from the creation of new fiscal space. As can be seen, in the medium run, it would be necessary to allocate 20% of the newly collected resources to cover the costs, however after the programme reaches full scale less than 10% of the newly collected resources would guarantee the affordability of the SCG.

A relatively small investment in social protection programmes results in benefits that cut across various social sectors, yielding both social and economic returns. These impacts increase, through their positive feedback effect on economic growth, long-run programme affordability.

The interaction between reduced poverty and inequality and the increased productive capacity of beneficiaries creates a virtuous circle that makes programmes more affordable and sustainable over time. Leaving inequality unaddressed leads to slower and less

14. Commissioner of Disability and Elderly Affairs, 2013, p. 25

15. Data on universal old age pensions in Mauritius, Lesotho, Botswana, Maldives and Namibia show a take up rate of roughly 100% -ILO, 2014, p. 15.

16. The poverty gap measures the extent to which individuals fall below the poverty line. It can also be understood as the difference between the poor's income or expenditure and the poverty line. This measurement is used to reflect the intensity of poverty

17. Poverty headcount is the proportion of a population whose living standards exist below a given threshold referred to as the 'poverty line'. The headcount measures the proportion of the population that is poor.

durable economic growth. Although the initial cost of social protection expansion may be higher, the government can expect costs to decrease as they start to reap the economic benefits of social protection and the programmes begin to 'pay for themselves'.

5. What are the potential sources of fiscal space for the SCG roll-out?

The Government of Uganda can generate resources to finance the roll-out of the SCG through various strategies. Sustainable financing strategies are closely tied to the longevity of social protection programmes. Specific sources of potential fiscal space include:

i). Reallocating public expenditures: This requires the restructuring of existing budget allocations and replacing high-cost and low-impact investments with ones that have large economic and social outcomes, eliminating spending inefficiencies, and tackling corruption.

ii). Increasing tax revenue: One way of doing this can be by implementing effective measures for strengthening the efficiency of tax collection methods and overall compliance.

iii). Using fiscal and central bank foreign exchange reserves: This might include exploiting fiscal savings and other state revenues, or excess foreign exchange reserves in the central bank and allocate them to development programs such as social protection.

iv). Increased aid and transfers: Engaging donor governments to support social protection is another option. However, to guarantee long-run sustainability of social protection financing, government might consider not relying too extensively on donor support because it is by nature unstable.

v). Borrowing or restructuring the existing debt. This would involve the careful assessment of domestic and foreign debt options that are low cost, carefully considering debt sustainability, which for Uganda is currently not a threat.

vi). Adopting a more accommodating macroeconomic framework. This would entail allowing for higher budget deficits and slightly higher inflation levels, without the risk of jeopardizing macroeconomic stability.

6. Key recommendations

Social protection can have a significant positive impact. The evidence demonstrates that the beneficial effects of social protection include not only the immediate reductions in monetary poverty quantified but also the medium- and long-run impacts in terms of inclusive social development and equitable economic growth. The Government of Uganda should therefore consider the expansion of the SCG to provide a universal Senior Citizens' Grants to all older persons that will ensure that every Ugandan lives their final years in dignity.

- **The SCG can have a significant positive impact.** The analysis indicates that if scaled-up nationally, a reduction in poverty headcount and poverty gap will be realized. Furthermore, the positive results of the quantitative assessment of the SCG as a key component of SAGE on food security, education and employment constitute a solid evidence base demonstrating the positive impact of future investment efforts in social protection and specifically the SCG.

- **Scaling up the SCG is feasible and affordable for Uganda**. The micro-simulation exercise and the fiscal space analysis indicate the long-run sustainability of the social protection programmes and programme combinations, whose fiscal burdens are further supported by the resulting economic growth and associated demographic dynamics.

- **It is an opportunity to tackle poverty and promote inclusive development**. The design and implementation of such a direct income support programmes represent opportunities for the Government of Uganda to both tackle poverty and strengthen the broader developmental impact of government policy, supporting inclusive social development and inclusive economic growth.

FOR ADDITIONAL INFORMATION:

This brief has been developed with support from UNICEF.

Special thanks to Joel Musaasizi, John Bosco Mubiru and Rebecca Ssanyu for their contribution on this Policy Brief.

Get a full version of the Social Protection Investment Case: https://www.unicef.org/uganda/UgandaSPBCReport2016-FINAL-LORES.pdf

Uganda Social Protection Platform (USPP), http://www.uspp-cso.org/