

## UGANDA

# Promises broken by weak institutions, poverty and corruption



Uganda has ratified various international conventions on human rights and social security, and attempts have been made to domesticate the conventions by developing national laws and policies. However, the limitations of the institutions currently responsible for social security services delivery, and the high incidence of poverty and corruption pose a variety of challenges for the existing social security arrangements, which are highly inadequate.

DENIVA  
David Obot

Social security or social protection is a human right. The extent to which a population enjoys social security depends on factors which include the country's legislation and policy regulation, social security fund management, resource mobilization and investment, beneficiary coverage, the linkage of social security to social policy within a country's broad economic framework, and adherence to standards that guide the decisions and actions of the government and social security provider institutions. The mix of these factors and their effectiveness determine the population's protection and confidence in the social security arrangements.

This report examines Uganda's social security sector with regard to the effectiveness of the policies and institutions involved in delivering services, and also addresses future plans in the sector.

### Political, economic, social and demographic context

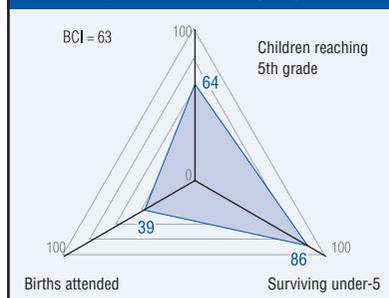
Uganda has a parliamentary system of government. There are 332 members of parliament, who have responsibilities for legislation. At present, 100 of the 332 members (or 30%) are women (PoU, 2007, p. 19).

The country's economic performance has been affected by global economic activity, which expanded 5.5% in 2006, up from 4.9% in 2005, and has registered strong growth for the past four years (IMF, 2007). The domestic economy is estimated to have grown by 6.5% in 2006-2007 as compared to 5.1% in 2005-2006 (RoU, 2007a, p. 5). However, according to Uganda Bureau of Statistics (UBOS) data on sectoral contributions to GDP, contributions from agriculture are on the decline, as shown in Table 1. This decline in agricultural contributions to GDP is of concern, since around 80% of Uganda's rural dwellers depend primarily on agriculture for their livelihood.

### Half of the children living in poverty

Over the years there have been mixed achievements in reducing poverty. According to a UBOS National Household Survey, 8.4 million Ugandans – close to 31% of the total estimated population of 27.2 million – were living in poverty in 2005-2006. This represented a decline in the poverty rate from 39% in 2002-2003 (UBOS, 2006, p. 7).

### Basic Capabilities Index (BCI)

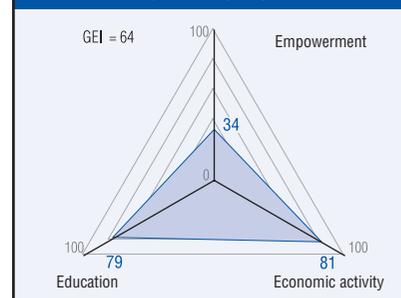


However, a 2005 report from the Chronic Poverty Research Centre (CPRC, 2005) estimated that 50% of the country's approximately 15 million children were living in poverty. The factors identified by the report as responsible for poverty and vulnerability in Uganda included inadequate social security and protection against shocks, poor health, HIV/AIDS, rapid population growth, limited access to land, and lack of markets. Corruption also contributes by diverting resources necessary for enhancing the well-being of the poor, including the sick. Uganda's Poverty Eradication Action Plan provides a framework for poverty reduction, and the government has also budgeted UGX 10 billion (USD 6.1 million) for fighting corruption (Biryetega, 2006, p. 29). Improved social security has the potential to reduce poverty by providing safeguards that protect the most vulnerable sectors of the population against shocks.

### The right to social security

Social security legislation and policy regulation are fundamental for effective social security in any country. Article 22 of the Universal Declaration of Human Rights proclaimed that "every member of society has the right to social security."<sup>1</sup> ILO Convention 102 (1952) sets out the minimum standards of social security benefits for old age, invalidity, survivors, medical care, sickness, unemployment, employment injury, families and maternity. However, these standards are of benefit to the population only if public measures against economic and social distress are backed by legislation, policies, regulatory frame-

### Gender Equity Index (GEI)



work and systems, political will and wide population coverage.

Uganda has ratified various UN conventions and adopted laws and policies to provide social security for its population. Chapter 4 of the Constitution of Uganda provides for protection and promotion of fundamental and other human rights and freedoms (RoU, 1995). Ugandan legislation and policies for social security and social protection include the Ministry of Public Service 1994 Pension Act (Cap. 286) for retired civil servants, and the 1985 National Social Security Fund (NSSF) Act (Cap. 222), which established a contributory scheme for workers in the formal sector. Other social security-related policies being developed include the Social Health Insurance and Community Health Insurance schemes by the Ministry of Health, and cash transfers for the poor by the Ministry of Gender, Labour and Social Development. There are plans to revise the country's pension and social security legislation (RoU, 2007b, p. 8) towards fulfilling ILO standards. At present, however, the country's social security legislation provides far more for workers in the formal sector than those employed in the informal sector and the unemployed.

The social security sector is regulated through the Ministry of Gender, Labour and Social Development (MGLSD). The ministry is responsible for policy functions, including tabling bills in Parliament for the enactment of laws. Other ministries providing social security-related services include the Ministry of Public Service, for pension management, and the Ministry of Health, which is developing the Social Health Insurance scheme. The NSSF and private institutions are also involved in social security provision. The private institutions providing social security health services are mainly insurance companies, such as

<sup>1</sup> The Universal Declaration of Human Rights was proclaimed on 10 December 1948 at the UN General Assembly. <[www.unhcr.ch/udhr/lang/eng.htm](http://www.unhcr.ch/udhr/lang/eng.htm)>.

**TABLE 1. Sectoral contribution to GDP (%)**

Sector	2003-2004	2004-2005	2005-2006	2006-2007
Agriculture	37.3	35.1	33.3	31.9
Industry	19.8	20.6	20.9	21.0
Services	42.9	44.3	45.8	47.1

Source: Uganda Bureau of Statistics.

AAR Health Services and AIG Insurance Company.<sup>2</sup> Most services offered by private institutions are for contributors who can afford to pay for them, leaving the poor excluded. The total number of Ugandans benefiting from social security is difficult to estimate due to fragmented interventions.

The NSSF covers employees in the private sector who work in organizations that employ five or more people. As of 2003, a total of 1,282,994 people were covered by the NSSF scheme and its beneficiaries numbered 8,995 (ISSA, n.d.). However, the performance of the NSSF is viewed as below average due to management challenges, the irregular flow of information about the status of members' contributions, flawed investment plans and corruption (Osike, 2007). Contributors' funds currently total around UGX 500 billion (USD 305.8 million), and such a large amount of resources demands careful planning and integrity in the fund management.

### Services for selected vulnerable categories of the poor

The MGLSD is presently utilizing the Social Development Sector Strategic Investment Plan of 2004 as a framework for planning, implementation, monitoring and evaluation of social development, including social security.<sup>3</sup>

#### Efforts to provide for orphans

Protection of the vulnerable through social security is still a problem in Uganda due to the prolonged armed conflict the country suffered, in which children were affected most. The MGLSD (RoU, 2004) is currently undertaking the National Strategic Programme Plan for Orphans and Other Vulnerable Children: 2005-2010. The priority areas for intervention are sustaining livelihoods, linking essential social sectors, strengthening the policy and legal framework, and enhancing capacity to deliver. However, there is a challenge of resources for implementing the programme effectively. Other important policy guidelines related to children include the National Child Labour Policy.

### The challenge of pension payments

The Ministry of Public Service is responsible for the civil service pension scheme as per the 1994 Pension Act (Cap. 286). The pension scheme is non-contributory, and covers workers from the traditional civil service, teachers, military pensioners, widows

and orphans, and former employees of the defunct East African Community. Coverage was expanded to include army veterans from past regimes recognized through the Uganda Peoples' Defence Forces Act of 2005. Benefits include terminal and severance package payments, gratuities for contract and short service employees, monthly pensions, and survivors' benefits for widows and orphans.

The payment of pension arrears has been a major challenge for the government. As of March 2007, there were a total of 44,000 civil service sector pension beneficiaries and the pension arrears accumulated had reached some UGX 289 billion (USD 176.7 million). The government has allocated UGX 200 billion (USD 122.3 million) from the 2007-2008 budget towards clearing this debt, although this still leaves a shortfall of UGX 89 billion (USD 54.4 million) (Mugerva, 2007).

Other problems associated with pension payments in Uganda include inadequate institutional capacity for effective service delivery, delayed payments of benefits, the low value of actual pension packages, the inability to meet basic needs from the benefits, and high transport costs for collecting payments.

### No special protection for refugees and immigrants

The Refugee Act of 2006 and Immigrants Act of 1999 provide protection and assistance to asylum seekers, refugees and immigrants, with a focus on assisting and protecting refugees living in refugee settlements. There are no special social security arrangements for refugees and immigrants, and since they fall under the category of the poor in Uganda as identified by the MGLSD, most social security services are accessed through public institutions where resources are usually limited.

### Proposals for covering the poor

#### Social Health Insurance

The Ministry of Health's National Health Policy (RoU, 1999) and Health Sector Strategic Plan (RoU, 2000) emphasize seeking alternatives for health care financing so that the poor and vulnerable groups are not marginalized and excluded. The ministry is in the process of tabling the Uganda Social Health Insurance bill in Parliament with the aim of improving the population's access to health care. The proposed health insurance scheme would be introduced in phases, starting with formal sector workers, and later expanding to include informal sector workers and the rest of the population. The bill is expected to be presented to the Cabinet in 2007.

### Community Health Insurance

The Community Health Insurance (CHI) initiative is being piloted in about 10 CHI schemes in Western Uganda. The CHI requires community contributions to cater for medical treatment of family members at nearby health facilities. Lessons learned from the pilot stage will inform the Ministry of Health in the design of the next stage of roll-out for greater population coverage.

### Cash transfer schemes

Interventions being developed by the MGLSD targeting people living below the poverty line include a proposal for cash transfers to the poorest of the poor. Proposals at the pilot stage aim at applying two options, in which cash transfers are linked with improvements in schooling and preventative health care. The MGLSD is the overall coordinator for the design of the cash transfer scheme.

### Recommendations

Given the limited scope of current social protection measures, we put forward the following recommendations:

- The government should increase consultations for the development of the social security sector by involving: employers and workers who make the contributions; the government; institutions such as the NSSF and private insurance companies; investors who may plan to use social security investment funds; direct beneficiaries who are entitled to receive benefits from the fund; indirect beneficiaries from the public who depend on the earnings from social security savings.
- The 1985 NSSF Act, 1994 Pension Act and 2000 Insurance Act should be amended with a view to liberalizing the social security and pensions sector, so that workers have the freedom of choice of where to keep their social security savings.
- The ILO Convention 102 minimum standards of social security should be integrated into national policies for social security and protection.
- Strong penalties must be enforced on officials who mismanage social security funds.
- Programmes for cash transfers to the poorest of the poor should be adopted and implemented countrywide.
- More research should be undertaken to find effective ways of increasing the population's social security coverage. ■

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2 <www.aar.co.ug/> and <www.aig.com/gateway/home/1-66-Uganda\_index.htm>, respectively.

3 <www.mglsd.go.ug/images/stories/sdip.pdf?PHPSESSID=f>

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According to Article 28 of the UN Convention on the Rights of Persons with Disabilities, adopted 6 December 2006, "States Parties recognize the right of persons with disabilities."<sup>12</sup> The government has not yet ratified this important convention, making it difficult for persons with disabilities to enjoy the right to social security that it guarantees.

### Encouraging signs

The Governor of the Bank of Tanzania, Daudi T. Balali, acknowledged in March 2007 that the greater part of the country's population is still dependent on the traditional social security system, now getting weaker every day as a result of the corrosive effects engendered by urbanization and threatening diseases like HIV/AIDS. According to him, "Because of the difficult economic environment and diseases like HIV/AIDS which have torn apart the traditional fabric and economic might, . . . accessibility to social welfare services by disadvantaged groups is limited." Governor Balali underlined that "this trend calls for a rethink on the way people are organized in the provision of social security by, among other things, exploring new ways of improving coverage as well as benefits in order to fulfil obligations as stipulated in Article 22 of the Universal Declaration of Human Rights of 1948."<sup>13</sup> We are all happy with this observation and urge the government to work on it. ■

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12 <[www.un.org/esa/socdev/enable/rights/convtexte.htm](http://www.un.org/esa/socdev/enable/rights/convtexte.htm)>

13 Daudi T. Balali, the Governor of the Bank of Tanzania (BoT) addressing a gathering of International Social Security Associations (ISSA) in Dar es Salaam. Attended by stakeholders from within and outside the country, March 2007. Quoted by Michael Haonga in local newspaper *The Guardian* "BoT Governor calls for enhanced public access to social security" of 26 March 2007.

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